



Matatiele Local Municipality

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2010

SUBMITTED 31 August 2010

MATATIELE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS

For the year ended

30 June 2010

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 92, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councilor's as disclosed in note 32 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

D.C.T NAKIN
MUNICIPAL MANAGER

31 August 2010

<p>MATATIELE LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS 30 JUNE 2010</p>
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INDEX

	<u>Page</u>
1 Approval of Financial Statements	1
2 Chief Financial Officers Report	2 - 9
3 Statement of Financial Position	10
4 Statement of Financial Performance	11
5 Statement of Changes in Net Assets	12
6 Cashflow Statement	13
7 Accounting Policies	14 - 47
8 Notes to the Annual Financial Statements	48 - 84
9 Appendix A	85 - 86
10 Appendixes B	87
11 Appendix C	88
12 Appendix D	89
13 Appendixes E	90 - 91
14 Appendix F	92

MATATIELE LOCAL MUNICIPALITY
Parameters to be completed for Current Year

Name of Authority	MATATIELE LOCAL MUNICIPALITY
Financial Year-end	30 June 2010
End of Next Year	30 June 2011
End of Current Year	30 June 2010
End of Previous Year	30 June 2009
End of Base Year	30 June 2008
Current Year	2010
Previous Year	2009
Base Year	2008
Next Financial Year	2010/2011
Current Financial Year	2009/2010
Previous Financial Year	2008/2009
Comparative Financial Year	2009/10 / 2008/09
Start of Current Year	01 July 2009
Start of Previous Year	01 July 2008

MATATIELE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2009/10 financial period is set out in Directive 4 and Directive 5 issued by the Accounting Standards Board (ASB) on 11 March 2009.

Despite having instituted various control measures in order to improve the overall financial results of the municipality, the collection of arrear debt remains a challenge. The increase in the debtors book together with the increased number of indigent customers is indicative of the poverty that exists within the municipal area. However, the ongoing reviewing and monitoring of debt collection performance is expected to result in an improvement in the collection of arrears.

2. KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review.

Financial Statement Ratios:

INDICATOR	2010	2009
Surplus / (Deficit) before Appropriations	52 883 126	56 499 422
Surplus / (Deficit) at the end of the Year	242 201 430	189 493 288
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	29.42%	27.62%
Remuneration of Councillors	12.17%	11.20%
Depreciation and Amortisation	0.00%	0.00%
Impairment Losses	3.01%	8.02%
Repairs and Maintenance	9.18%	11.33%
Interest Paid	0.08%	0.19%
Bulk Purchases	15.75%	10.21%
Contracted Services	7.81%	6.93%
Grants and Subsidies Paid	8.98%	13.41%
General Expenses	13.60%	11.04%
Current Ratio:		
Creditors Days	51	34
Debtors Days	54	96

The improvement in the ratio for Debtors Days, calculated on net Debtors, is because of an decrease in the impairment losses of R2,753,738 recognised in the year (2009: R6,991,899) and a substantial decrease in the Provision for Impairment (R14,329,452 in 2010, R15,919,363 in 2009), which renders a favourable ratio for the year.

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The overall operating results for the year ended 30 June 2010 are as follows:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	57 099 591	36 950 114	54.53%	-	-
Operating income for the year	144 505 530	143 640 417	0.60%	185 681 527	(22.18)%
Appropriations for the year	(44 690 216)	(36 349 945)	22.94%	-	-
	156 914 905	144 240 586	8.79%	185 681 527	(15.49)%
Expenditure:					
Operating expenditure for the year	91 622 404	87 140 995	5.14%	132 490 863	(30.85)%
Sundry transfers	-	-	0.00%	-	-
Closing surplus / (deficit)	65 292 501	57 099 591	14.35%	53 190 664	-
	156 914 905	144 240 586	8.79%	185 681 527	(15.49)%

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	116 109 387	100 372 037	15.68%	183 818 693	(36.83)%
Expenditure	67 956 705	68 863 813	(1.32)%	102 611 158	(33.77)%
Surplus / (Deficit)	48 152 682	31 508 225	52.83%	81 207 535	-
Surplus / (Deficit) as % of total income	41.47%	31.39%		44.18%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	2 777	11 819 157	(99.98)%	1 862 834	(99.85)%
Expenditure	-	-	-	-	-
Surplus / (Deficit)	2 777	11 819 157	(99.98)%	1 862 834	-
Surplus / (Deficit) as % of total income	100.00%	100.00%		100.00%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	5 043 973	7 745 037	(34.87)%	8 477 617	(40.50)%
Expenditure	5 638 991	5 344 006	5.52%	11 389 111	(50.49)%
Surplus / (Deficit)	(595 018)	2 401 031	(124.78)%	(2 911 494)	-
Surplus / (Deficit) as % of total income	(11.80)%	31.00%		(34.34)%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R14,433,061 (2009: R8,889,732). Tariffs levied for electricity are subject to administered adjustments. Matatiele Local Municipality distributes electricity in the town of Matatiele only. In the rest of its area, grid is supplied by ESKOM.

The envisaged introduction of REDS (Regional Electricity Distribution Suppliers), where electricity will be distributed a regional supplier, will impact materially on the Annual Financial Statements of the municipality.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	23 349 393	23 704 185	(1.50)%	23 996 459	(2.70)%
Expenditure	18 026 708	12 933 176	39.38%	18 490 594	(2.51)%
Surplus / (Deficit)	5 322 685	10 771 009	(50.58)%	5 505 865	-
Surplus / (Deficit) as % of total income	22.80%	45.44%		22.94%	

3.5 Water Services:

Water and sanitation is supplied directly to the residents by Alfred Nzo District Municipality.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R35,133,939 (2008/09: R53,559,799). Full details of Property, Plant and Equipment are disclosed in Note 7 and appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R35,133,939 was financed as follows:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Capital Replacement Reserve	2 675 636	6 491 006	(58.78)%	4 350 079	(38.49)%
Grants and Subsidies	32 458 303	19 075 853	70.15%	47 867 871	(32.19)%
External Loans	-	-	-	20 000 000	-
	35 133 939	25 566 859	37.42%	72 217 950	(51.35)%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2010	2009
Capital Replacement Reserve	7.62%	25.39%
Grants and Subsidies	92.38%	74.61%
External Loans	-	-
Own Funds (Accumulated Surplus)	-	-
Public Contributions	-	-

Property, Plant and Equipment is funded to such a great extent from grants and subsidies because the municipality does not have the financial resources to finance capital from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2010	2009
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	53 190 664	67 510 239
Revenue variances	(41 175 997)	(38 390 821)
Expenditure variances:		
Employee Related Costs	9 324 290	4 586 667
Remuneration of Councillors	371 783	2 375 576
Depreciation and Amortisation	1 918 543	3 405 332
Impairment Losses	1 246 262	(5 991 899)
Repairs and Maintenance	2 203 952	685 886
Interest Paid	1 242 312	57 916
Bulk Purchases	(1 033 061)	850 268
Contracted Services	1 486 260	2 699 211
Grants and Subsidies Paid	11 881 308	14 413 715
General Expenses	12 226 811	4 329 432
Loss on disposal of Property, Plant and Equipment	-	(32 100)
Actual surplus before appropriations	52 883 126	56 499 422

DETAILS	2010	2009
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	53 190 664	67 510 239
Executive and Council	2 318 985	3 902 311
Finance and Administration	5 652 238	(3 346 557)
Planning and Development	(6 214 479)	1 065 410
Health	120 607	58 147
Community and Social Services	(997 219)	(6 800 282)
Housing	(1 860 057)	(10 182 843)
Public Safety	501 678	(220 700)
Sport and Recreation	279 178	198 551
Waste Management	2 316 476	5 141 087
Roads and Transport	(2 241 765)	(1 536 051)
Inter-departmental Charges		
Environmental Protection		
Other		
Electrical services	(183 180)	710 110
Total before inter-departmental charges and appropriations	52 883 126	56 499 422
Actual surplus before appropriations	52 883 126	56 499 422

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a cryptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Variance actual 200910 / 200809 R	Budgeted 2009/2010 R	Variance actual/ budgeted R
Community Services	1 960 438	24 831 108	(22 870 670)	7 242 824	(5 282 386)
Corporate Services	529 315	19 687	509 628	1 580 000	(1 050 685)
Economic Development & Planning	3 425 768	327 205	3 098 563	12 955 908	(9 530 140)
Executive & Council	66 297	1 540 410	(1 474 113)	3 350 000	(3 283 703)
Finance & Administration	1 685 743	550 251	1 135 492	1 985 868	(300 125)
Infrastructure	27 466 377	26 335 582	1 130 795	37 186 929	(9 720 552)
	35 133 938	53 604 243	(18 470 305)	64 301 529	(29 167 591)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a cryptic explanation of significant variances of more than 5% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2010 amounted to R242,218,418 (30 June 2009: R189,502,883) and is made up as follows:

Capital Replacement Reserve	19 854 941
Capitalisation Reserve	8 868 539
Government Grants Reserve	148 185 449
Accumulated Surplus	65 292 501
	<u>242 201 430</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation Reserve is utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore) over the lifespan of such assets.

The Government Grants Reserve is utilised to offset the cost of depreciation of assets funded from government grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from the grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2010 was R153,908 (30 June 2008: R624,758).

Finance leases to the value of R30,490 were entered into during the year to acquire office machines.

Refer to Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2010 was R3,122,956 (30 June 2009: R2,965,361).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 18 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R4,244,734 as at 30 June 2010 (30 June 2008: R4,135,640) and is made up as follows:

Provision for Long-term Service	713 965
Provision for Rehabilitation of Land-fill Sites	3 530 769
	<u>4 244 734</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 19 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R37,008,462 as at 30 June 2010 (30 June 2009: R46,281,601) and is made up as follows:

Consumer Deposits	Note 11	309 913
Provisions	Note 12	1 895 137
Creditors	Note 13	12 690 609
Unspent Conditional Grants and Receipts	Note 14	19 642 740
VAT Payable	Note 15	908 795
Operating Lease Liability	Note 16	15 983
Bank Overdraft	Note 6	1 409 824
Current Portion of Long-term Liabilities	Note 17	135 461
		<u>37 008 462</u>

Non-current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R222,758,177 as at 30 June 2010 (30 June 2009: R187,735,590).

Refer to Note 7 and Appendices "B, C and E (2)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R2,144,868 as at 30 June 2010 (30 June 2009: R1,801,738).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 for more detail.

13. INVESTMENTS

The municipality held Investments to the value of R4,610,850 as at 30 June 2010 (30 June 2009: R4,014,509).

The bulk of these investments are ring-fenced for purposes of the Capital Replacement Reserve, Unspent Conditional Grants and security for Long-term Liabilities, with the result that no significant amounts are available for own purposes.

Refer to Note 10 for more detail.

14. LONG TERM RECEIVABLES

There were no Long term receivables as at 30 June 2010 (30 June 2009: None).

15. CURRENT ASSETS

Current Assets amounted R78,769,881 as at 30 June 2010 (30 June 2009: R70,656,033) and is made up as follows:

Inventory	Note 2	553 343
Non-Current assets held for sale	Note 3	67 300
Trade receivables from Exchange Transactions	Note 4	5 567 310
Trade receivables from Non-Exchange Transactions	Note 5	7 945 567
Cash and Cash Equivalents	Note 6	64 636 360
		<u>78 837 181</u>

The substantial decrease in Trade Receivables are due to a discount scheme implemented and run by the Municipality during the financial year. The basis of this scheme is that a customer would qualify for a discount on the invoice amount if the account was paid within a certain date after date of issue. This had the effect that customers paid their accounts earlier in order to qualify for the discounts with the effect that the levels of accounts receivables decreased.

Refer to the indicated Notes for more detail.

16. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 14, 28 and 37, and Appendix "F" for more detail.

17. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 55.

18. GENERAL RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format and is now presented as such on continuous basis.

The municipality opted to take advantage of the transitional provisions of Directive 4 of the Accounting Standards Board, issued in March 2009.

19. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Budget & Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31-Aug-10

MATATIELE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 June 2010

	Note	2010 R	2009 R
ASSETS			
Current Assets		78 769 881	70 656 033
Inventory	2	553 343	346 777
Non-current Assets Held-for-Sale	3	67 300	209 886
Trade receivables from exchange transactions	4	5 567 310	9 426 021
Trade receivables from non-exchange transactions	5	7 945 567	10 221 143
Cash and Cash Equivalents	6	64 636 360	50 452 206
Non-Current Assets		229 532 635	193 570 577
Property, Plant and Equipment	7	222 758 177	187 735 590
Intangible Assets	8	2 144 868	1 801 738
Investment Property	9	18 740	18 740
Non-current Investments	10	4 610 850	4 014 509
Total Assets		308 302 516	264 226 610
LIABILITIES			
Current Liabilities		37 008 462	46 281 601
Consumer Deposits	11	309 913	299 919
Provisions	12	1 895 137	1 125 957
Creditors	13	12 690 609	8 117 115
Unspent Conditional Grants and Receipts	14	19 642 740	34 200 138
VAT Payable	15	908 795	895 493
Operating Lease Liabilities	16	15 983	21 411
Bank Overdraft	6	1 409 824	1 356 596
Current Portion of Long-term Liabilities	17	135 461	264 973
Non-Current Liabilities		7 204 601	7 300 500
Long-term Liabilities	17	18 447	359 785
Retirement Benefit Liabilities	18	2 941 420	2 805 075
Non-current Provisions	19	4 244 734	4 135 640
Total Liabilities		44 213 062	53 582 101
Total Assets and Liabilities		264 089 453	210 644 509
NET ASSETS		264 089 453	210 644 509
Statutory Funds	20	1 492 150	755 348
Reserves	21	20 395 873	20 395 873
Accumulated Surplus / (Deficit)	23	242 201 430	189 493 288
Total Net Assets		264 089 453	210 644 509

MATATIELE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2010

	Note	Actual 2010 R	Actual 2009 R	Budget 2010
REVENUE				
Revenue from Non-exchange Transactions				
Property Rates	24	13 203 902	15 267 695	18 771 743
Property Rates - Penalties imposed and collection charges	25	-	567 324	-
Fines		962 407	613 056	751 250
Government Grants and Subsidies Received	28	98 207 847	97 395 591	135 805 567
Licences and Permits		1 016 846	859 090	1 049 400
Public Contributions and Donations	29	-	50 000	-
Revenue from Exchange Transactions				
Service Charges	26	24 524 886	20 526 634	22 466 287
Rental of Facilities and Equipment	27	436 017	386 578	390 603
Interest Earned - External Investments	25	3 342 356	4 450 761	3 200 000
Interest Earned - Outstanding Debtors	25	1 663 970	2 037 479	1 830 000
Other Income	30	1 136 208	1 450 208	1 406 677
Profit on Sale of Land:-		11 090	36 000	10 000
Sale of Land		11 090	36 000	-
Total Revenue		144 505 530	143 640 417	185 681 527
EXPENDITURE				
Employee Related Costs	31	26 950 774	24 067 054	36 275 064
Remuneration of Councillors	32	11 154 896	9 762 768	11 526 679
Depreciation and Amortisation	33	-	-	1 918 543
Impairment Losses	34	2 753 738	6 991 899	4 000 000
Repairs and Maintenance		8 412 748	9 873 589	10 616 700
Finance Costs	35	71 688	164 984	1 314 000
Bulk Purchases	36	14 433 061	8 899 732	13 400 000
Contracted Services		7 158 725	6 035 459	8 644 985
Grants and Subsidies Paid	37	8 224 216	11 689 810	20 105 524
General Expenses	38	12 462 557	9 623 600	24 689 368
Loss on Disposal of Property, Plant and Equipment		-	32 100	-
Total Expenditure		91 622 404	87 140 995	132 490 863
OTHER REVENUE / EXPENDITURE INCURRED				
SURPLUS / (DEFICIT) FOR THE YEAR		52 883 126	56 499 422	53 190 664

MATATIELE LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 June 2010

Description	Housing Development Fund	Revaluation Reserve	Capital Replacement Reserve	Capitalisation Reserve	Government Grants Reserve	Accumulated Surplus / (Deficit)	Accumulated Surplus/(Deficit) Account	Total
R	R	R	R	R	R	R	R	R
2009								
Balance at 30 June 2008	735 761	16 799 004	7 760 012	3 606 049	65 769 630	30 780 430	107 916 121	125 450 886
Change in Accounting Policy (Note 40)		-			-	-	-	-
Correction of Error (Note 41)		-			-	(4 052 740)	(4 052 740)	(4 052 740)
Correction of Error Due to Depreciation		3 596 869		5 262 490	12 874 841	10 222 424	28 359 755	31 956 624
Restated Balance	735 761	20 395 873	7 760 012	8 868 539	78 644 471	36 950 114	132 223 136	153 354 770
Surplus / (Deficit) for the year						56 499 422	56 499 422	56 499 422
Transfer to Housing Development Fund	1 378					(1 378)	(1 378)	-
Reversal of sundry creditor		-				836 442	836 442	836 442
Inventory write-off						(28 879)	(28 879)	-
Financial lease not recognised						4 441	4 441	-
Reclassification of financial lease to operating leases		-				(39 896)	(39 896)	(39 896)
Transfer to CRR			15 100 000			(15 100 000)	-	-
Property, Plant and Equipment purchased			(15 086 849)			15 086 849	-	-
Donated / Contributed PPE						-	-	-
Grants utilised to obtain PPE					37 107 524	(37 107 524)	-	-
Interest received	18 209		-			-	-	18 209
Balance at 30 June 2009	755 348	20 395 873	7 773 163	8 868 539	115 751 995	57 099 591	189 493 288	210 644 509
	-	-	-	-	-	-	-	-
Restated Balance at 30 June 2009	755 348	20 395 873	7 773 163	8 868 539	115 751 995	57 099 591	189 493 288	210 644 509
2010								
Surplus / (Deficit) for the year						52 883 126	52 883 126	52 883 126
Transfer to Housing Development Fund	2 777					(2 777)	(2 777)	-
Transferred from GGR	687 798					-	-	687 798
Surplus on revaluation of Property, Plant & Equipment		-				-	-	-
Inventory write-off		-				(4 772)	(4 772)	(4 772)
Transfer to/from CRR			14 900 000			(14 900 000)	-	-
Property, Plant and Equipment purchased			(2 675 636)			2 675 636	-	-
Donated / Contributed PPE						-	-	-
Grants utilised to obtain PPE					32 458 303	(32 458 303)	-	-
Interest received/(paid)	46 227		-			-	-	46 227
Asset disposals/ write off			(142 586)		(24 849)	-	(167 435)	(167 435)
Offsetting of Depreciation		-			-	-	-	-
Balance at 30 June 2010	1 492 150	20 395 873	19 854 941	8 868 539	148 185 449	65 292 501	242 201 430	264 089 453

Details on the movement of the Funds and Reserves are set out in Note 20, 21 and 23.

MATATIELE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2010

	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (utilised in) Operations	41	44 398 733	28 462 036
Interest received	25	5 006 326	6 488 240
Interest paid	35	(71 688)	(164 984)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		49 333 371	34 785 292
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(34 790 808)	(52 359 799)
Purchase of Intangible Assets	8	(343 130)	-
(Increase) / decrease in Non-current Investments	10	(596 341)	(519 213)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(35 730 279)	(52 879 012)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans (repaid)/ taken up	17	527 834	(438 417)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		527 834	(438 417)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6	14 130 926	(18 532 137)
Cash and Cash Equivalents at the beginning of the year		49 095 610	67 627 747
Cash and Cash Equivalents at the end of the year		63 226 536	49 095 610

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

These Annual Financial Statements have been prepared in accordance with the Accounting Standards as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 4 and 5 issued by the Accounting Standards Board (ASB).

1.1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

The details of any resulting changes in accounting policy and comparative restatements are given in Notes 40 and 41 to the Annual Financial Statements.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

The details of any changes in accounting policies and comparative restatements are explained in the relevant policy.

1.2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

1.2.1 Revenue Recognition

Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on Financial Assets Classification and Accounting Policy 6.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: Financial Instruments - Presentation and IAS 39: Financial Instruments - Recognition and Measurement.

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: Financial Instruments - Recognition and Measurement, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation is provided in Note 4 and 5 of the Annual Financial Statements.

- Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

1.2.4 Useful lives of Property, Plant and Equipment

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy 3.9 on PPE - Impairment of assets and Accounting Policy 4.2 on Intangible assets - Subsequent Measurement, Amortisation and Impairment and Accounting Policy 8.2 on Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: Property, Plant and Equipment, GRAP 12: Inventory and GRAP 102: Intangible assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 18 and 19 to the Annual Financial Statements.

1.2.7 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in Notes 12,19 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1.4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

1.5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005

GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 25 Employee Benefits - issued December 2009

GRAP 26 Impairment of Cash-generating Assets - issued March 2009

GRAP 103 Heritage Assets - issued July 2008

GRAP 104 Financial Instruments - October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5 paragraph 29 allows for the Municipality to may select to apply the principles established in a Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)

Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)

Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 36 Impairment of assets - amended version effective 1 January 2010

IAS 39 Financial Instruments: Recognition and Measurement - amended version effective 1 January 2010

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

See note 58 to the Annual Financial Statements for more detail.

2. STATUTORY FUNDS AND RESERVES

2.1 Housing development fund / Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

2.2 Capital Replacement Reserve (CRR)

In order to finance the future provision of infrastructure and other items of property, plant and equipment from internal sources amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a Council resolution. The cash allocated to the CRR can only be utilised to finance items of property, plant and equipment. The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- The CRR is reduced and the accumulated surplus/(deficit) credited with corresponding amounts when the funds are utilised.
- The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects.
- The Council determines the annual contribution to the CRR.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

2.3 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

2.4 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

2.5 Public Contributions and Donations Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Public Contributions and Donations Reserve equal to the Public Contributions and Donations Reserve recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Public Contributions and Donations Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Public Contributions and Donations.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

When an item of property, plant and equipment financed from Public Contributions is disposed, the balance in the Public Contributions and Donations Reserve relating to such item is transferred to the accumulated surplus/(deficit).

2.6 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end

	Years		Years
Infrastructure		Other	
Roads and Paving	10 - 100	Buildings	25 - 30
Electricity	15 - 60	Specialist Vehicles	10 - 15
Water	15 - 100	Other Vehicles	5 - 10
Sewerage	15 - 60	Office Equipment	3 - 15
Landfill Sites	10 - 65	Furniture and Fittings	5 - 15
Housing	30	Watercraft	15 - 20
Pedestrian Malls	15 - 30	Bins and Containers	5 - 15
		Specialised Plant and Equipment	10 - 15
		Other items of Plant and Equipment	2 - 15
Community			
Improvements	25 - 30		
Recreational Facilities	15 - 30		
Security	15 - 25		

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

Depreciation only commences when the asset is available for use, unless stated otherwise.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate. These were not reviewed in the previous and current financial years as required by GRAP 17. The municipality applied ASB directive 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the years ending 30 June 2009 and 2010 but must comply with the measurement requirements for the year ending 30 June 2011. It must however identify and correctly classify all PPE on an assets register during the 2009 and 2010 years.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3.7 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in Council's Property Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3.8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3.9 Impairment of assets

3.9.1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

3.9.2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

3.10 Transitional provisions

The estimated useful lives and depreciation methods will be reviewed for the year ended 30 June 2011 and will be applied retrospectively where practicable, and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it; there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation methods have not been reviewed for the year ended 30 June 2010 in accordance with the transitional arrangements of ASB Directive 4.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.4 Transitional provisions

Intangible assets recognised in terms of GRAP 102 have been presented for the financial year ended 30 June 2010 in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Transitional Provisions

Investment properties recognised in terms of GRAP 16 have been presented for the financial year ended 30 June (and retrospectively where practicable) in accordance with the requirements of GRAP 16, GRAP 3 and ASB Directive 4.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement .

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

Amortised Cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6.1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

TYPE OF FINANCIAL ASSET	CLASSIFICATION IN TERMS OF IAS 39.09
Short-term Investment Deposits – Call	Available for sale
Bank Balances and Cash	Available for sale
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: available for sale.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors (see note 13)
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost)
- (iii) Financial guarantee contract

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to group entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

6.3.2 Financial Liabilities:

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

6.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance.

Impairment losses recognised in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the Statement of Financial Performance, the impairment loss must be reversed, with the amount of the reversal recognised in the Statement of Financial Performance.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality transfers a financial asset if either it transfers the contractual rights to receive the cash flows of the financial asset or retains the contractual rights to receive the cash flows of the financial asset.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market Risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

Credit Risk

- Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 47.7 to the annual financial statements.

8. INVENTORIES

8.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

10. REVENUE RECOGNITION

10.1 General

Revenue, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

10.2.2 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

10.2.3 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.2.4 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.2.5 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10.3 Revenue from Non-exchange Transactions

10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Fines constitute both spot fines and summonses for which revenue is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

10.3.3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are available for use.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10.3.4 Other Donations and Contributions

Donations and Contributions are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

10.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

10.4 Transitional Provisions

Revenue is initially recognised at fair value for the year ended 30 June 2010 (and retrospectively, where practicable) by discounting all future receipts using an imputed rate of return in accordance with the requirements of GRAP 9, GRAP 3 and SAICA circular 09/2006.

11. CONDITIONAL GRANTS AND RECEIPTS

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

12. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Provision for Restructuring cost

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and;
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFITS

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

13.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

13.3 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

13.3.1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13.3.2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

13.3.3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 47 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14.1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

15 BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2010 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

17. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. COMPARATIVE INFORMATION

24.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

26. COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

MATATIELE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality

27. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.



MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
1. GENERAL INFORMATION		
Matatiele Local Municipality (the municipality) is a local government institution in Matatiele, Eastern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.		
2. INVENTORY		
Consumable Stores - at cost	550 674	344 108
Medallions - at cost	2 669	2 669
Total Inventory	553 343	346 777

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

Inventory to the value of R13,724 (2009: R0) was written off during the year.

3. NON-CURRENT ASSETS HELD-FOR-SALE		
Balance at beginning of year	209 886	209 886
Disposal of asset	(142 586)	
Additions during the year		
Reclassification of asset		
Property Held-for-Sale - at cost	67 300	209 886
Other Assets Held-for-Sale - at cost	-	-
Total Assets classified as Held-for-Sale	67 300	209 886
Liabilities associated with Assets classified as Held-for-Sale	-	-
Net Assets classified as Held-for-Sale	67 300	209 886

3.1 Property Held-for-Sale

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next ten months. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2010.

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS			
	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2010			
Service Debtors:	19 896 762	(14 329 452)	5 567 310
Assessment Rates	13 028 815	(11 579 999)	1 448 816
Electricity	1 982 792	(40 775)	1 942 017
VAT receivable	1 873 738	-	1 873 738
Refuse	3 011 418	(2 708 678)	302 740
Total of Trade Receivables from Exchange Transactions	19 896 762	(14 329 452)	5 567 310
	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2009			
Service Debtors:	25 345 384	(15 919 363)	9 426 021
Assessment Rates	13 617 955	(12 600 587)	1 017 368
Electricity	2 512 150	(550 378)	1 961 772
VAT receivable	6 019 609	-	6 019 609
Refuse	3 195 670	(2 768 398)	427 272
Total of Trade Receivables from Exchange Transactions	25 345 384	(15 919 363)	9 426 021

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables until the 30th of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality enforces its approved credit control policy to a limited extent ensure the recovery of Consumer Debtors.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio's of the municipality's Consumer Debtors.

Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
	2010 R	2009 R
4.1 Ageing of Consumer Debtors		
Rates: Ageing		
<u>Current:</u>		
0 - 30 days	585 873	524 462
<u>Past Due:</u>		
31 - 60 Days	485 849	316 740
61 - 90 Days	377 094	174 473
91 - 120 Days	357 287	132 069
121 - 150 Days	155 465	12 470 210
+ 150 Days	11 067 246	-
Total	13 028 815	13 617 955

Electricity: Ageing		
<u>Current:</u>		
0 - 30 days	1 746 276	1 030 620
<u>Past Due:</u>		
31 - 60 Days	174 650	621 614
61 - 90 Days	21 091	309 438
91 - 120 Days	8 029	102 898
121 - 150 Days	2 509	447 581
+ 150 Days	30 237	-
Total	1 982 792	2 512 150

Refuse: Ageing		
<u>Current:</u>		
0 - 30 days	45 914	136 535
<u>Past Due:</u>		
31 - 60 Days	145 857	162 377
61 - 90 Days	110 620	129 306
91 - 120 Days	100 387	111 579
121 - 150 Days	88 573	2 655 873
+ 150 Days	2 520 067	-
Total	3 011 418	3 195 670

4.2 Summary of Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R
As at 30 June 2010			
<u>Current:</u>			
0 - 30 days	522 762	900 168.00	955 133.00
<u>Past Due:</u>			
31 - 60 Days	368 435	280 630.15	157 639.00
61 - 90 Days	290 905	123 547.22	94 353.00
91 - 120 Days	268 943	105 238.75	91 522.00
+ 120 Days	12 507 417	437 454.00	918 877.00
Sub-total	13 958 463	1 847 038	2 217 524
Less: Provision for Impairment	(12 776 360)	(542 693)	(1 010 399)
Total Debtors by Customer Classification	1 182 103	1 304 345	1 207 125

As at 30 June 2009

<u>Current:</u>			
0 - 30 days	666 325	983 420	44 437
<u>Past Due:</u>			
31 - 60 Days	602 432	558 322	11 533
61 - 90 Days	377 204	812 321	5 591
91 - 120 Days	274 296	78 081	5 393
+120 Days	15 131 332	5 913 781	300 996
Sub-total	17 051 588	8 345 926	367 950
Less: Provision for Impairment	(14 881 736)	(736 878)	(300 749)
Total Debtors by Customer Classification	2 169 852	7 609 048	67 201

	2010 R	2009 R
4.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	15 919 363	11 306 634
Impairment Losses recognised		
Contribution during year	2 613 826	6 902 459
Amounts written off as uncollectable	(4 203 737)	(2 289 730)
Amounts recovered	-	-

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
Balance at end of year	14 329 452	15 919 363

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding for periods exceeding 90 days based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is high due to the relatively small credit base. However, management believe that there is no further credit provision required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality does not hold collateral over these balances. In the IGR Forum the payment of Government dues are discussed and followed up.

4.4 Ageing of impaired Consumer Debtors

0 - 30 Days		-
31 - 60 Days		-
61 - 90 Days		-
91 - 120 Days	465 704	346 546
+ 120 Days	13 863 748	15 572 817
Long-term Loan Debtors		
Total	14 329 452	15 919 363

5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Health Subsidy Control	714 306	782 884
Sundry Debtors Control	44 603	-
Housing debtors	33 644	35 467
Insurance Debtors	-	3 997
Miscellaneous Debtors	-	111 392
Sisonke District Municipality	-	524 619
Councillors Salaries Over payment	1 249 312	1 249 312
Debtors Interest	129 231	141 584
LU Framework DBSA	283 871	211 405
DME Electricity	995 866	872 302
Pre-paid expenses	-	105 309
Debtors Sundry	4 856 002	6 404 222
	8 306 834	10 442 494
Less: Provision for Impairment	(361 267)	(221 351)
Total Trade Receivables from Non-Exchange Transactions	7 945 567	10 221 143

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

The average credit period for Other Debtors is 263 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate of 18% per annum on the outstanding balance. The municipality enforces its approved credit control policy to a limited extent. However, council has resolved that the policy be strictly enforced with effect from 1 July 2010.

The management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

5.1 Reconciliation of Provision for Impairment

Balance at beginning of year	221 352	131 912
Impairment Losses recognised	139 915	89 440
Balance at end of year	361 267	221 352

The Provision for Bad Debts was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the balances outstanding as at 30 June 2010.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

2010	2009
R	R

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is high due to the relatively small credit base. However, management believe that there is no further credit provision required in excess of the Provision for Impairment.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
The total amount of the Provision for Impairment created is R361,267 (2009: R221,352) and the following loans and receivables are included therein:		
Sundry Debtors	361 267	221 352
Total Provision for Impairment on Trade Receivables from Non-Exchange Transactions	361 267	221 352

6. BANK, CASH AND CASH EQUIVALENTS

Bank, Cash and Cash Equivalents	1 973 269	142 446
Investment Deposits	62 663 091	50 309 760
Total Bank, Cash and Cash Equivalents	64 636 360	50 452 206

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Short-term Portion of Investments	62 663 091	50 309 760
Total Current Investment Deposits	62 663 091	50 309 760

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 9,45 % to 11,66 % per annum.

Deposits of R8 935 726 (2009: R14 786 438) are ring-fenced and attributable to Unspent Conditional Grants.

Deposits of R8 202 576 (2009: R7 770 00) are ring-fenced and attributable to the Capital Replacement Reserve.

The Municipality has the following bank accounts:

6.2 Bank Accounts

Transmission Account

Standard Bank - Matatiele - Account number 060435224

Cash book balance at beginning of year	141 196	89 391
Cash book balance at end of year	1 972 019	141 196
Bank statement balance at beginning of year	89 775	-
Bank statement balance at end of year	1 972 019	89 775

Primary Bank Account

First National Bank - Matatiele - Account number 62108495187

Cash book balance at beginning of year	(1 356 596)	(617 333)
Cash book balance at end of year	(1 409 824)	(1 356 596)
Bank statement balance at beginning of year	4 038 945	174 043
Bank statement balance at end of year	1 036 864	4 038 945

Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.

6.3 Cash and Cash equivalents

Cash Floats and Advances	1 250	1 250
Cash on hand in Cash Floats, Advances and Equivalents	1 250	1 250

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

7. PROPERTY, PLANT AND EQUIPMENT

The Municipality has taken advantage of the transitional provisions set out in ASB Directive 4. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 31 August 2011.

30 June 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
Carry values at 1 July 2009	34 950 740	103 821 599	21 500 623	-	27 462 628	-	-	187 735 590
Cost	34 950 740	103 821 599	21 500 623	-	27 462 628	-	-	187 735 590
- Completed Assets	34 950 740	103 821 599	21 500 623	-	27 462 628	-	-	187 735 590
- Under Construction	-	-	-	-	-	-	-	-
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
Re-classification								
Impairment Losses	-	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-	-
Other Movements	-	256 626	-	-	-	-	-	256 626
- Cost	-	256 626	-	-	-	-	-	256 626
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Acquisitions								
Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Capital under Construction - Additions	-	23 689 187	8 724 384	-	2 377 237	-	-	34 790 808
- Cost	-	23 689 187	8 724 384	-	2 377 237	-	-	34 790 808
- Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Disposals:								
- Cost	-	-	-	-	(24 847)	-	-	(24 847)
- Revaluation	-	-	-	-	(24 847)	-	-	(24 847)
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:								
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-
Carry values at 1 June 2010	34 950 740	127 767 412	30 225 007	-	29 815 018	-	-	222 758 177
Cost	34 950 740	127 767 412	30 225 007	-	29 815 018	-	-	222 758 177
- Completed Assets	34 950 740	104 078 225	21 500 623	-	27 437 781	-	-	187 967 369
- Under Construction	-	23 689 187	8 724 384	-	2 377 237	-	-	34 790 808
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2009

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2008	26 575 903	55 375 176	26 474 833	-	25 259 483	-	-	133 685 395
Cost	26 575 903	51 948 269	26 474 833	-	25 259 483	-	-	130 258 488
- Completed Assets	26 575 903	51 948 269	26 474 833	-	25 259 483	-	-	130 258 488
- Under Construction	-	-	-	-	-	-	-	-
Correction of error (Note 33)	-	3 426 907	-	-	-	-	-	3 426 907
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	44 092	34 274 367	11 359 507	-	6 681 833	-	-	52 359 799
Donated vehicles and equipment	-	-	-	-	-	-	-	-
Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Capital under Construction - Additions	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Disposals:	(22 100)	-	-	-	(10 000)	-	-	(32 100)
- Cost	(22 100)	-	-	-	(10 000)	-	-	(32 100)
- Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-	-
Other Movements	8 352 845	14 172 056	(16 333 717)	-	(4 468 688)	-	-	1 722 496
- Cost	(10 787 518)	9 007 385	(4 434 872)	-	7 404 842	-	-	1 189 837
- Reclassification	19 140 363	5 164 671	(11 898 845)	-	(11 873 530)	-	-	532 659
- Correction of error - classification of leases	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying values at 30 June 2009	34 950 740	103 821 599	21 500 623	-	27 462 628	-	-	187 735 590
Cost	34 950 740	103 821 599	21 500 623	-	27 462 628	-	-	187 735 590
- Completed Assets	34 950 740	103 821 599	21 500 623	-	27 462 628	-	-	187 735 590
- Under Construction	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Other movements of Property, Plant and Equipment to the amount of R0 (2009: R809,708) were in respect of assets transferred from Intangible Assets and Investment Properties (see Note 8 and 9).

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

- Land; and
- Componentised infrastructure assets.

The municipality did not measure the following, in terms of the transitional provisions:

- Review of useful life of item of PPE recognised in the Annual Financial Statements;
- Review of the depreciation method applied to PPE recognised in the Annual Financial Statements;
- Review of residual values of item of PPE recognised in the Annual Financial Statements;
- Impairment of non-cash generating assets; and
- Impairment of cash generating assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 Financial Statements. The municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
7. PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use:		
At Original Cost:	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community	-	-
Other	-	-
Intangible assets	-	-
7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal:		
All PPE retired from active use and held for disposal is carried at a NIL balances as the assets are fully depreciated.		
7.3 Assets pledged as security:		
No assets are pledged as security.		
7.4 Impairment of Property, Plant and Equipment:		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Refer to above.		
Infrastructure: Solid Waste Sites	-	-
Other: Computer Equipment	-	-
Other: Furniture and Fittings	-	-
Other: Motor vehicles	-	-
Other: Office Equipment	-	-
Other: Plant & Equipment	-	-
Other: Traffic Equipment	-	-
Total Impairment of Property, Plant and Equipment	<u>-</u>	<u>-</u>
Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.		
7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:		
The municipality did not review the estimated useful life of various assets of the municipality for the mentioned departments for the financial year 2009/10.		
7.6 Land and Buildings carried at Fair Value:		
An independent valuation of the municipality's Land and Buildings was performed by HCB Property Valuations, registered and independent valuers, to determine the fair value thereof. The valuation, which conforms to International Valuation Standards, was made on the basis of recent market transactions on arm's length terms. The effective date of the valuation is 1 July 2009.		
7.7 Compensation received for Losses:		
No compensation was received from the municipality's insurers for Property, Plant and Equipment lost during the year as no PPE was lost.		
8. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>2 144 868</u>	<u>1 801 738</u>
The movement in Intangible Assets is reconciled as follows:		

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
	2010 R	Total 2009 R
Carrying values at 01 July	1 801 738	2 683 925
Cost	1 801 738	2 683 925
Accumulated Revaluation	-	-
Accumulated Amortisation	-	-
Accumulated Impairment Losses	-	-
Re-classified during the Year:	-	(882 187)
At Cost	-	(882 187)
At Accumulated Revaluation	-	-
At Accumulated Amortisation	-	-
At Accumulated Impairment	-	-
Acquisitions during the Year:	343 130	-
Purchased	343 130	-
Donated	-	-
Work-in-Progress at Year-end	-	-
Increases in Revaluations during the Year	-	-
Amortisation during the Year:	-	-
Purchased	-	-
Internally Developed	-	-
Impairment Losses during the Year	-	-
Disposals during the Year:	-	-
At Cost	-	-
At Accumulated Revaluation	-	-
At Accumulated Amortisation	-	-
At Accumulated Impairment	-	-
Decreases in Revaluations during the Year	-	-
Reversal of Impairment Losses during the Year	-	-
Transfers during the Year:	-	-
At Cost	-	-
At Accumulated Revaluation	-	-
At Accumulated Amortisation	-	-
At Accumulated Impairment	-	-
Carrying values at 30 June	2 144 868	1 801 738
Cost	2 144 868	1 801 738
Accumulated Revaluation	-	-
Accumulated Amortisation	-	-
Accumulated Impairment Losses	-	-

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets:

The municipality's intangible assets only comprise of computer related software.

8.2 Impairment of Intangible Assets:

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

- Computer Software;
- Intangible assets financed by way of finance leases;
- Servitudes.

The municipality is currently in a process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

The total amount of R0 (2009: R0) disclosed for impairment losses on Intangible Assets includes an individual material amount of impairment losses applicable to a Water Services Department building damaged when a fire broke out. Cumulative impairment losses for the following significant account balances are included therein:

Computer Software	-	-
Servitudes	-	-
Total Impairment of Intangible Assets	-	-

Impairment losses on Intangible Assets exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Intangible Assets have been physically damaged, stolen or have become redundant and idle.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
9. INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	<u>18 740</u>	<u>18 740</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	18 740	1 386 740
Cost	18 740	1 386 740
Accumulated Depreciation	-	-
Accumulated Impairment Losses	-	-
Re-classified during the Year:	-	(1 368 000)
At Cost	-	(1 368 000)
At Accumulated Depreciation	-	-
At Accumulated Impairment	-	-
Acquisitions during the Year	-	-
Depreciation during the Year	-	-
Impairment Losses during the Year	-	-
Disposals during the Year:	-	-
At Cost	-	-
At Accumulated Depreciation	-	-
At Accumulated Impairment	-	-
Reversal of Impairment Losses during the Year	-	-
Transfers during the Year:	-	-
At Cost	-	-
At Accumulated Depreciation	-	-
At Accumulated Impairment	-	-
Carrying values at 30 June	18 740	18 740
Cost	18 740	18 740
Accumulated Depreciation	-	-
Accumulated Impairment	-	-
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	-	-
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-
All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.		
There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations on Investment Property.		
Refer to Appendix "B" for more detail on Investment Property.		
10. NON-CURRENT INVESTMENTS		
Financial Instruments		
Fixed Deposits	<u>67 273 941</u>	<u>54 324 269</u>
Total Investments		
All Investments	67 273 941	54 324 269
Less: Short-term Portion transferred to Current Investments	(62 663 091)	(50 309 760)
	<u>4 610 850</u>	<u>4 014 509</u>
Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 6 % to 9 % per annum.		
Deposits of R795 350 (2009: R753 970) are ring-fenced and attributable to the cash-portion of the Housing Development Fund.		
The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.		
11. CONSUMER DEPOSITS		
Electricity	309 913	299 919
Total Consumer Deposits	<u>309 913</u>	<u>299 919</u>
Guarantees held in lieu of Electricity Deposits	<u>75 651</u>	<u>75 651</u>
Consumer Deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.		
No interest is paid on Consumer Deposits held.		
The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.		
12. PROVISIONS		
Bonus	478 728	432 302

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
Performance Bonus	562 629	-
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 18)	181 536	160 286
Current Portion of Non-Current Provisions (See Note 19):	672 244	533 369
Long-term Service	169 397	113 814
Land-fill site	502 847	419 555
Total Provisions	1 895 137	1 125 957

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The movement in current provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R	Land-fill Sites R	Performance Bonuses R	Bonus R
30 June 2010					
Balance at beginning of year	113 814	160 286	419 555	-	432 302
Contributions to provision	55 583	21 250	83 292	562 629	46 426
Balance at end of year	169 397	181 536	502 847	562 629	478 728
30 June 2009					
Balance at beginning of year	54 032	107 935	-	-	280 834
Transfer from non-current				-	151 468
Contributions to provision	59 782	52 351	419 555	-	-
Balance at end of year	113 814	160 286	419 555	-	432 302

13. CREDITORS

Trade Creditors	7 360 397	3 171 570
Payments received in Advance	123 880	565 160
Alfred Nzo District Municipality	2 047 834	1 896 883
Leave provision	1 855 037	1 607 118
Income received in advance	317 043	302 460
Sundry Deposits	-	104 701
Other Creditors	986 418	469 223
Total Creditors	12 690 609	8 117 115

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
14.1 Conditional Grants from Government	19 642 740	34 200 138
National Government Grants	6 274 528	9 662 765
Provincial Government Grants	9 940 099	19 337 793
Local Government Grants	2 427 952	3 481 839
Other Spheres of Government	1 000 162	1 717 741
14.2 Other Conditional Receipts	-	-
Developers Contributions	-	-
Public Contributions	-	-
Total Conditional Grants and Receipts	19 642 740	34 200 138

The amount for Unspent Conditional Grants and Receipts are deposited in ring-fenced investment accounts until utilised.

See Note 28 for the reconciliation of Grants from Other Spheres of Government.

The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

15. VAT PAYABLE

Vat Payable	908 795	895 493
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Vat is payable on the payments basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

16. OPERATING LEASE LIABILITIES / PAYABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	21 411	-
Operating Lease expenses	460 940	228 611
Operating Lease expenses - straight lined	(460 940)	(207 200)
Movement in Operating Lease Liability	(5 427)	
Total Operating Lease Liabilities	15 983	21 411

16.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 3 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

16.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Buildings:	592 592	968 512
Up to 1 year	413 512	375 920
2 to 5 years	179 080	592 592
More than 5 years	-	-
Total Operating Lease Arrangements	592 592	968 512

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	460 940	228 611
Total Operating Lease Expenses	460 940	228 611

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Buildings

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
17. LONG TERM LIABILITIES		
Annuity Loans	100 191	277 038
Finance Lease Liabilities	53 717	92 528
Other Loans	-	255 192
Sub-total	153 908	624 758
Less: Current Portion transferred to Current Liabilities:-	(135 461)	(264 973)
Annuity Loans	(100 191)	(176 931)
Finance Lease Liabilities	(35 270)	(88 042)
Other Loans	-	-
Total Long-term Liabilities (Neither past due, nor impaired)	18 447	359 785

Refer to Appendix A for more detail.

17.1 Summary of Arrangements

Annuity Loans are repaid over periods of 20 years (2009: 20 years) and at interest rates varying from 16.72% to 17.55% (2009: 16.72% to 17.55%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to Vehicles and Equipment with lease terms of 3 to 5 years (2009: 3 to 5 years). The effective interest rate on Finance Leases is 11.5% (2009: 11.5%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

Other Loans are repaid over a period of 5 (2009: 5) years and at an interest rate of 10.5% (2009: 10.5%) per annum.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2009: 5 years). The effective interest rate on Finance Leases is 11.5% (2009: 11.5%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2010 R	2009 R	2010 R	2009 R
Amounts payable under finance leases:				
Within one year	35 270	88 042	35 270	88 042
In the second to fifth years, inclusive	18 451	108 641	18 451	108 641
	53 720	196 683	53 720	196 683
Present Value of Minimum Lease Obligations	53 720	196 683	53 720	196 683
Less: Amounts due for settlement within 12 months (Current Portion)			-	(88 042)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			53 720	108 641

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles

Included in these classes are the following significant leases:

(i) Photocopiers and telephone equipment		
- Instalments are payable monthly in arrears	Yes	Yes
- Average period outstanding (months)	12	12
- Average effective interest rate	11.50%	11.50%
- Average monthly instalment	R 3 884	R 7 220
(ii) Vehicles		
- Instalments are payable monthly in arrears	Yes	Yes
- Average period outstanding (months)	5	17
- Average effective interest rate, based on prime	11.50%	11.50%
- Average monthly instalment	R 1 373	R 1 565

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
18. RETIREMENT BENEFIT LIABILITIES	2010 R	2009 R
18.1 Post-retirement Health Care Benefits Liability		
Post-Employment Health Care Benefit Liability	3 122 956	2 965 361
	3 122 956	2 965 361
Transfer to Current Provisions (see note 12)	(181 536)	(160 286)
Total Post-retirement Health Care Benefits Liability	2 941 420	2 805 075

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by ARCH Actuarial Consulting, Fellow of the faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	32	26
Continuation Members (Retirees, widowers and orphans)	10	10
Total Members	42	36

The liability in respect of past service has been estimated as follows:

In-service Members	1 592 590	1 501 670
Continuation Members	1 530 366	1 463 691
Total Liability	3 122 956	2 965 361

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- Samwumed

The Current-service cost for the year ending 30 June 2010 is estimated to be R149,151 whereas interest-cost for the year is estimated to be R265,644 the cost for the ensuing year is estimated to be R156,541 and R279,760 respectively (2009: R89,122 and R150,987 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.22%	9.20%
Health Care Cost Inflation Rate	7.27%	7.73%
Net Effective Discount Rate	1.82%	1.36%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	2 965 361	1 944 806
	414 795	240 109
Current service costs	149 151	89 122
Interest cost	265 644	150 987
Actuarial losses / (gains)	(96 914)	895 397
Liabilities extinguished on settlements	(160 286)	(114 951)
Present Value of Fund Obligation at the end of the Year	3 122 956	2 965 361
Total Recognised Benefit Liability	3 122 956	2 965 361

Plan assets

The plan is wholly unfunded and as such there are no plan assets.

Total employer contributions during the year amounted to:	160 286	114 951
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	3 122 956	2 965 361
	3 122 956	2 965 361
Total Benefit Liability	3 122 956	2 965 361

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	149 151	89 122
Interest cost	265 644	150 987
Actuarial losses / (gains)	(96 914)	895 397

Total Post-retirement Benefit included in Employee Related Costs	317 881	1 135 506
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The history of experienced adjustments is as follows:

	2010 R	2009 R	2008 R	2007 R	2006 R
Present Value of Defined Benefit Obligation	3 122 956	2 965 361	1 944 806	1 823 202	-
Fair Value of Plan Assets	-	-	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

	R	R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost in the ensuing year	487 300	487 300
Effect on the defined benefit obligation	3 557 000	3 399 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost in the ensuing year	356 600	356 600
Effect on the defined benefit obligation	2 765 000	2 611 000

The municipality expects to make a contribution of R181,536 (2009: R160,286) to the Defined Benefit Plans during the next financial year.

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements of the municipality as at 30 June 2007 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2008.

19. NON-CURRENT PROVISIONS

Provision for Long Service Awards	883 362	899 412
Provision for Rehabilitation of Land-fill Site	4 033 616	3 769 597
	4 916 978	4 669 009
Transfer to Current Provisions (see note 12):		
Current portion of Long Service Awards	(169 397)	(113 814)
Current portion of Rehabilitation of Land-fill site	(502 847)	(419 555)
Total Liability	4 244 734	4 135 640

19.1 Long Service Awards

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5 years and every 5 years thereafter of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by ARCH Actuarial Consulting CC. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The employees eligible for Long Service Awards, are made up as follows:

In-service Members (Employees)	184	154
Total	184	154

The liability in respect of past service has been estimated as follows:

In-service Members	883 362	899 412
Total Liability	883 362	899 412

The future service cost for the year ending 30 June 2011 is estimated to be R244,131, whereas the interest-costs is estimated to be R73,375 (2009: R95,809 and R44,838 respectively)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.17%	9.22%
General Salary Inflation	6.49%	6.70%
Net Effective Discount Rate	2.52%	2.36%

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	899 412	575 264			
	337 026	140 647			
Current service costs	259 264	95 809			
Interest cost	77 762	44 838			
Actuarial losses / (gains)	(239 262)	213 074			
Liabilities extinguished on settlements	(113 814)	(29 573)			
Present Value of Fund Obligation at the end of the Year	883 362	899 412			
Total Recognised Benefit Liability	883 362	899 412			
Plan assets					
The plan is wholly unfunded and as such there are no plan assets.					
Total employer contributions during the year amounted to:	113 814	29 573			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	883 362	899 412			
	883 362	899 412			
Total Benefit Liability	883 362	899 412			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	259 264	95 809			
Interest cost	77 762	44 838			
Actuarial losses / (gains)	(239 262)	213 074			
Total Long Service Award included in Employee Related Costs	97 764	353 721			
The history of experienced adjustments is as follows:					
	2010 R	2009 R	2008 R	2007 R	2006 R
Present Value of Defined Benefit Obligation	883 362	899 412	575 264	500 541	-
Fair Value of Plan Assets	-	-	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

	2010 R	2009 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	352 819	352 819
Effect on the defined benefit obligation	928 000	943 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	322 571	322 571
Effect on the defined benefit obligation	842 000	859 000
The municipality expects to make a benefit payment of R169 397 (2009: R113 814) to the Defined Benefit Plans during the next financial year.		

20. STATUTORY FUNDS

Housing Development Fund:	1 492 150	755 348
Unappropriated Surplus	1 492 150	755 348
Total Statutory Funds	1 492 150	755 348

20.1 Housing Development Fund

The Housing Development Fund has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate Unappropriated Surplus Account for housing transactions was kept.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.		
Reconciliation of the Housing Development Fund:		
Balance at beginning of year	755 348	735 761
Allocation to HDF	687 798	-
Revenue:	49 004	19 587
Interest	46 227	18 209
Housing Rental Debtors	2 777	1 378
Less; Expenditure:	-	-
Balance at end of year	1 492 150	755 348

The Housing Development Fund is represented by the following Assets and Liabilities:

Consumer Debtors (See Net Assets)	2 777	1 378
Cash and Cash Equivalents	1 489 373	753 970
Total Housing Development Fund Assets and Liabilities	1 492 150	755 348

21. RESERVES

Revaluation Reserve	20 395 873	20 395 873
Total Reserves	20 395 873	20 395 873

21.1 Revaluation Reserve

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Revaluation Reserve can be made where they are in accordance with the requirements of the municipality's accounting Policy and relevant case law. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's Accounting policy. These restrictions do not apply to any amounts transferred to Accumulated Surplus. The Council do not currently intend to make any distribution from the Revaluation Reserve.

The following restrictions are placed on the distribution of the balance of the reserve:

Reconciliation of the Revaluation Reserve:

Balance at beginning of year	20 395 873	16 799 004
Correction of depreciation		3 596 869
Balance at end of year	20 395 873	20 395 873

Refer to Statement of Changes in Net Assets for more detail and the movement on Reserves.

22. DEFERRED REVENUE

According to GRAP Deferred Revenue is not accounted for in the Financial Statements. Not applicable in the 2009/10 Financial Statements.

23. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve	19 854 941	7 773 163
Capitalisation Reserve	8 868 539	8 868 539
Government Grants Reserve	148 185 450	115 751 995
Accumulated Surplus / (Deficit) due to the results of Operations	65 292 501	56 308 198
Total Accumulated Surplus	242 201 431	188 701 895

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

			2010	2009
			R	R
24. PROPERTY RATES				
	Property Valuations July 2010 July 2009 R000's R000's		Actual Levies 2010 2009 R R	
Residential	419 293	224 266	2 819 340	8 798 144
Commercial	728 968	167 826	10 394 410	6 681 935
Agricultural	414 603	15 289	180 573	628 362
Vacant land	11 367		177 326	
Exempted Properties	14 430		(528 165)	
Total Assessment Rates	1 588 661	407 381	13 043 483	16 108 441
(Plus)/less corrections			155 852.58	871 848.64
Plus: previous year interim rates			316 271.31	31 102.62
			13 203 902	15 267 695
Attributable to:				
Continuing Operations			13 203 902	15 267 695
			13 203 902	15 267 695
Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.				
The last valuation came into effect on 1 July 2009. The valuation has been performed by HCB Property Valuations CC (HCB). HCB is registered with the South African council for the property valuers profession.				
The following rates charged and rebates given:	2010 c/R			
Residential tariff	0.013			
Business tariff	0.0156			
Agriculture tariff	0.00325			
Residential exemption first R30,000 on valuation	-30 000			
Residential rebate	35%			
Business rebate	10%			
Public Benefit Organisation (PBO)	100%			
			2010	2009
			R	R
25. INTEREST EARNED				
Property Rates:				
Penalties imposed and Collection Charges			-	567 324
			-	567 324
External Investments:				
Investments			3 342 356	4 450 761
			3 342 356	4 450 761
Outstanding Debtors:				
Outstanding Billing Debtors			1 663 970	2 037 479
			1 663 970	2 037 479
Total Interest Earned			5 006 326	7 055 564
Interest Earned on Financial Assets, analysed by category of asset, is as follows:				
Available-for-Sale Financial Assets			3 342 356	4 450 761
Loans and Receivables			1 663 970	2 604 803
			5 006 326	7 055 564
Interest Earned on Non-financial Assets			-	-
			5 006 326	7 055 564
26. SERVICE CHARGES				
Sale of Electricity			22 219 226	17 461 548
Refuse Removal			2 305 660	3 065 087
Total Service Charges			24 524 886	20 526 634
Attributable to:				
Continuing Operations			24 524 886	20 526 634
			24 524 886	20 526 634
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.				

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
27. RENTAL OF FACILITIES AND EQUIPMENT		
Operating Lease Rental Revenue:		
- Other Rental Revenue	296 352	256 877
Rental Revenue from Amenities	20 309	16 349
Rental Revenue from Buildings	7 092	6 572
Rental Revenue from Halls	87 653	77 684
Rental Revenue from Land	20 337	25 522
Rental Revenue from Other Facilities	4 274	3 574
Total Rental of Facilities and Equipment	436 017	386 578
Attributable to:		
Continuing Operations	436 017	386 578
	436 017	386 578

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

28. GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	(56 548 629)	(46 917 051)
Provincial Health Subsidies	(1 974 296)	(1 883 412)
Provincial Road Subsidies	-	(10 050)
Operational Grants	(58 522 925)	(48 810 513)
	-	-
Conditional Grants	(39 684 922)	(48 585 078)
National: FMG Grant	(1 106 365)	(399 677)
National: MIG Funds	(25 164 608)	(14 062 799)
National: MSIG Funds	(712 626)	(1 135 729)
National: Department of Mineral and Energy	(140 807)	(4 157 785)
National: National Treasury	(650 658)	(2 382 759)
Provincial: Treasury	(6 094 233)	(10 405 605)
Provincial: Department Economic Affairs and Trade (DEAT)	(3 425 768)	(44 092)
Provincial: Dept Housing, Local Government and Traditional Affairs (DHLGTA)	-	(11 817 153)
Local Government - Local Municipalities	(1 253 887)	(3 518 214)
Other Government	(1 135 970)	(661 265)

Transferred from Deferred Revenue (offset depreciation on assets funded from Grants)

- -

Total Government Grants and Subsidies

(98 207 847) (97 395 591)

Attributable to:

 Continuing Operations

(98 207 847) (97 395 591)

(98 207 847) (97 395 591)

Operational Grants:

28.1 National: Equitable Share

Balance unspent at beginning of year	-	(2 476 812)
Current year receipts	(56 548 629)	(44 440 239)
Conditions met - transferred to Revenue: Operating Expenses	56 548 629	46 917 051
Conditions still to be met - transferred to Liabilities (see Note 14)	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents on grid electricity, receive 50kWh free electricity per month. For non-grid consumers, R48 per month is contributed towards the maintenance of solar panels.

28.2 Provincial: Health Subsidies

Balance unspent at beginning of year	782 884	684 072
Current year receipts - included in Public Health vote	(2 042 873)	(1 784 600)
- Primary Health	(2 042 873)	(1 784 600)
Conditions met - transferred to Revenue	1 974 296	1 883 412
Conditions still to be met - transferred to Current Assets (see Note 4)	714 306	782 884

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
28.3 Provincial: Road Subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	-	(10 050)
Conditions met - transferred to Revenue: Operating Expenses	-	10 050
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. No funds have been withheld.

Conditional Grants:

28.4 National: FMG Grant

Balance unspent at beginning of year	(106 365)	(6 042)
Current year receipts	(1 000 000)	(500 000)
Conditions met - transferred to Revenue: Operating Expenses	1 106 365	399 677
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>(106 365)</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

28.5 National: MIG Funds

Balance unspent at beginning of year	(8 746 350)	(2 100 935)
Current year receipts	-	(16 070 000)
Interest allocated	(22 692 786)	(4 638 214)
Conditions met - transferred to Revenue: Capital Expenses	25 164 608	14 062 799
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(6 274 528)</u>	<u>(8 746 350)</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.

28.6 National: MSIG Fund

Balance unspent at beginning of year	(212 626)	(548 355)
Current year receipts	(500 000)	(800 000)
Conditions met - transferred to Revenue: Operating Expenses	712 626	1 135 729
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>(212 626)</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. No funds have been withheld.

28.7 National - Department of Mineral and Energy

Balance unspent at beginning of year	872 302	-
Current year receipts	-	(3 224 000)
Interest allocated	(17 244)	(61 483)
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	140 807	4 157 785
Conditions still to be met - transferred to Current Assets (see Note 4)	<u>995 865</u>	<u>872 302</u>

This grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

28.8 National - National Treasury

Balance unspent at beginning of year	(597 424)	-
Current year receipts	-	(2 980 183)
Interest allocated	(53 235)	-
Conditions met - transferred to Revenue: Operating Expenses	650 658	2 382 759
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>(597 424)</u>

Expenses were incurred to connect houses to the electricity network of the municipality. No funds have been transferred to the municipality.

28.9 Provincial: Treasury

Balance unspent at beginning of year	(14 221 550)	(22 697 842)
Interest allocated	(782 642)	-
Current year receipts	-0.00	(1 929 313)
Conditions met - transferred to Revenue: Operating Expenses	3 707 429	4 853 606
Conditions met - transferred to Revenue: Capital Expenses	2 386 804	5 551 999
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(8 909 959)</u>	<u>(14 221 550)</u>

This grant was allocated to ensure that the Social Housing Programme of Provincial Government was carried out. The municipality acts as agent for the implementation of the plan. No funds have been withheld.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
28.10 Provincial: Department Economic Affairs and Trade (DEAT)		
Balance unspent at beginning of year	(4 455 908)	-
Current year receipts	-	(4 500 000)
Conditions met - transferred to Revenue: Capital Expenses	3 425 768	44 092
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(1 030 140)</u>	<u>(4 455 908)</u>
The municipality received plant and equipment for the Nature Reserve		
28.11 Provincial: Department Housing, Local Government and Traditional Affairs (DHLGTA)		
Balance unspent at beginning of year	(660 335)	(11 781 249)
Current year receipts	-	-
Interest allocated	(27 465)	(696 239)
Transfer to HDF	687 800	
Conditions met - transferred to Revenue: Capital Expenses	-	11 817 153
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>0.00</u>	<u>(660 335)</u>
This grant was allocated to improve capacity within the administration of the municipality and was used to improve internal procedures of various processes. No funds have been withheld.		
28.12 Local Government - Local Municipality		
Balance unspent at beginning of year	(3 481 839)	(7 000 053)
Current year receipts	(200 000)	-
Conditions met - transferred to Revenue: Capital Expenses	1 253 887	3 518 214
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(2 427 952)</u>	<u>(3 481 839)</u>
The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. No funds have been withheld.		
28.13 Other Government		
Balance unspent at beginning of year	(1 717 741)	(2 244 992)
Current year receipts	(417 917)	(133 919)
Interest allocated	(474)	(95)
Conditions met - transferred to Revenue: Operating Expenses	1 049 541	203 912
Conditions met - transferred to Revenue: Capital Expenses	86 429	457 353
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(1 000 162)</u>	<u>(1 717 741)</u>
The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. No funds have been withheld.		
28.14 Changes in levels of Government Grants		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.		
29. PUBLIC CONTRIBUTIONS AND DONATIONS		
Other Donations	-	50 000
Total Public Contributions and Donations	<u>-</u>	<u>50 000</u>
29.1 Reconciliation of Conditional Public Contributions and Donations		
Balance unspent at beginning of year	-	-
Current year receipts	-	(50 000)
Conditions met - transferred to Revenue: Operating Expenses	-	50 000
Conditions still to be met - transferred to Liabilities	<u>-</u>	<u>-</u>
30. OTHER INCOME		
Pool fees	19 158	21 005
Building plans	160 867	108 064
Building exemption certificates	6 577	5 622
Rates certificates	4 315	5 368
Driveway hardening	19 455	1 977
Discount received	2 632	-
Tender documents	72 874	154 701
Cemetery fees	74 353	56 818
Pound fees	171 124	159 611
Lost books	760	-
Photo copies	686	437
Cattle sales	-	2 019
SARS - VAT Refund	-	490 212
Housing Income	-	626
Housing R2,500	32 572	-
Nature Reserve camping	1 667	123
Nature Reserve chalets	16 523	14 553
Nature Reserve Annual licence	4 728	13 816
Nature Reserve Daily fishing	8 860	6 623
Sundry services	250 755	33 544
Wood sales	329	461
Service connections	92 981	131 836
Telephone private calls	2 703	-
Electricity connections	192 291	242 795
Total Other Income	<u>1 136 208</u>	<u>1 450 208</u>

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
Attributable to:		
Continuing Operations	1 136 208	1 450 208
	<u>1 136 208</u>	<u>1 450 208</u>

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 23 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

31. EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	19 633 349	16 370 574
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	2 935 932	2 691 329
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 124 912	1 243 586
Housing Benefits and Allowances	185 003	378 738
Overtime Payments	1 056 473	678 013
Performance Bonuses	797 784	619 022
Staff leave	423 658	589 620
Defined Benefit Plan Expense:	793 663	1 496 171
Current Service Cost	<u>793 663</u>	<u>1 496 171</u>
Total Employee Related Costs	<u>26 950 774</u>	<u>24 067 054</u>

Attributable to:		
Continuing Operations	26 950 774	24 067 054
	<u>26 950 774</u>	<u>24 067 054</u>

Remuneration of the Municipal Manager

Annual Remuneration	394 825	569 118
Performance Bonus	-	-
Car Allowance	131 608	120 000
Company Contributions to UIF, Medical and Pension Funds	1 497	102 954
Total	<u>527 930</u>	<u>792 072</u>

The post was vacant until 17 November 2009. The Chief Financial Officer was appointed as Acting Municipal Manager as well as Acting General Manager: Community Services with the effect from 1 September 2008. The post of Municipal Manager was filled on 18 November 2009.

Remuneration of the Chief Financial Officer

Annual Remuneration	465 875	435 234
Performance Bonus	-	-
Car Allowance	120 697	120 698
Company Contributions to UIF, Medical and Pension Funds	145 496	126 130
Total	<u>732 069</u>	<u>682 062</u>

Remuneration of the Corporate Services Manager

Annual Remuneration	547 025	494 045
Performance Bonus	-	-
Car Allowance	182 342	165 010
Company Contributions to UIF, Medical and Pension Funds	1 497	-
Total	<u>730 864</u>	<u>659 055</u>

Remuneration of the Strategic Manager

Annual Remuneration	-	449 206
Performance Bonus	-	-
Car Allowance	-	152 000
Company Contributions to UIF, Medical and Pension Funds	-	80 857
Total	<u>-</u>	<u>682 063</u>

This post has been vacant since 31 May 2009 and has been abolished with the effect from 1 July 2009

Remuneration of the Community Services Manager

Annual Remuneration	94 142	-
Car Allowance	37 500	-
Company Contributions to UIF, Medical and Pension Funds	18 732	-
Total	<u>150 374</u>	<u>-</u>

This is a new position. The position was filled on 1 April 2010.

Remuneration of the EDP Manager

Annual Remuneration	497 779	437 339
Car Allowance	144 000	144 000
Company Contributions to UIF, Medical and Pension Funds	89 085	78 721
Total	<u>730 864</u>	<u>660 060</u>

Remuneration of the Infrastructure Manager

Annual Remuneration	451 889	510 060
Performance Bonus	110 500	-
Car Allowance	1 497	150 000
Total	<u>563 887</u>	<u>660 060</u>

The post was vacated on 28 February 2010. The Municipal Manager acted as Infrastructure Manager from 1 March 2010 up to year end.

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June 2010:

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
Staff Leave Benefits:		
Municipal Manager	39 109	-
Chief Financial Officer	41 292	63 341
Corporate Services Manager	106 762	81 632
Strategic Manager	-	-
Community Services Manager	16 280	
EDP Manager	78 782	5 850
Infrastructure Manager	-	81 778
Total	282 224	232 601

32. REMUNERATION OF COUNCILLORS

Mayor	346 936	323 256
Speaker	274 543	255 599
Executive committee members	1 686 560	1 395 886
Councillors	3 751 022	2 768 251
Company Contributions to UIF, Medical and Pension Funds	1 853 963	1 906 268
Sundry Allowances (Cellular Phones, Housing and Vehicle)	3 241 872	3 113 508
Allowances allocated to Employee Related Costs in General Ledger	-	-
Total Councillors' Remuneration	11 154 896	9 762 768

In-kind Benefits

The Councillors occupying the positions of the Mayor, Speaker, Chief Wip and 4 Executive Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor have use of Council owned vehicles for official duties.

The Mayor is allocated on staff member who acts as a driver and bodyguard.

33. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	-	-
Amortisation: Intangible Assets	-	-
Depreciation: Investment Property	-	-
Total Depreciation and Amortisation	-	-
Attributable to:		
Continuing Operations	-	-
Discontinued Operations	-	-
	-	-

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not depreciate Property, Plant and Equipment.

34. IMPAIRMENT LOSSES

34.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:

Property, Plant and Equipment	-	-
Intangible Assets	-	-
Investment Property	-	-

Impairment Losses Reversed:

Property, Plant and Equipment	-	-
Intangible Assets	-	-
Investment Property	-	-

34.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:

Long-term Receivables	2 753 738	6 991 899
Consumer Debtors	-	-
Other Debtors	2 613 823	6 902 459
Investments	139 915	89 440
Loans carried at Amortised Cost		

Impairment Losses Reversed:

Long-term Receivables	-	-
Consumer Debtors	-	-
Other Debtors	-	-
Investments	-	-
Loans carried at Amortised Cost		

Total Impairment Losses	2 753 738	6 991 899
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Attributable to:

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
Continuing Operations	2 753 738	6 991 899
	<u>2 753 738</u>	<u>6 991 899</u>

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
35. FINANCE COSTS		
Loans and Payables at amortised cost	51 366	84 397
Finance Leases	7 980	24 666
Bank Overdrafts	-	102
Other (including interest on landfill site provision)	12 342	55 820
Total Interest Expense	<u>71 688</u>	<u>164 984</u>
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	<u>71 688</u>	<u>164 984</u>
Attributable to:		
Continuing Operations	<u>71 688</u>	<u>164 984</u>
	<u>71 688</u>	<u>164 984</u>
36. BULK PURCHASES		
Electricity	14 433 061	8 899 732
Total Bulk Purchases	<u>14 433 061</u>	<u>8 899 732</u>
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom. Water is supplied directly to residents and businesses by the District Municipality.		
37. GRANTS AND SUBSIDIES PAID		
FBS Electricity	616 758	231 083
FBS Electricity prev YR	40 348	1 085 003
Election: Road Upgrade	650 658	-
Election: Grant	1 422	-
FBS Refuse	232 075	38 458
FBS Refuse prev YR	258 474	196 296
Landfill Site management	824 238	1 421 121
New IDP 2007-10	275 605	177 427
Ward commission	67 378	-
Office Rental	418 739	339 992
Valuation	487 351	83 708
Asset audit	952 623	-
MDF 06/07 Performance management	18 744	21 446
MDF 06/07 by laws	-	17 703
MDF 06/07 ASSET REGISTER	78 080	119 351
MDF 06/07 Policies	-	117 285
CDW Grant 06/07	2 643	3 028
Capacity building 06/07	68 950	2 000
IDP Fund 06/07	-	10 300
Master Lease Programme	754 000	-
LU Framework DBSA	72 466	-
Est Plan: Cederville	-	180 100
Write off Maluti arrears	-	2 000 000
Organisational structure	-	103 950
MSIG Prev yrs	-	548 354
FMG Prev yrs	-	6 041
Bus accident fund	-	50 000
Lotto sports field	-	34 768
Nat & Prov elections	-	1 079 294
Roads upgrade elec	-	1 149 446
Est plan:maint buildings	313 279	1 692 644
New valuation establishment plan	271 393	-
FMG 07/08	1 106 365	393 636
Asset register 07/08	-	10 200
Revenue enhancement	712 626	311 300
MSIG Ward com 07/08	-	265 875
Total Grants and Subsidies	<u>8 224 216</u>	<u>11 689 810</u>
38. GENERAL EXPENSES		
Advertising	308 752	278 287
Audit fees	2 858 530	1 557 413
Bank charges	132 476	111 174
Cartage and rail age	2 404	8 580
Chemicals	39 863	27 376
Conferences	211 557	68 791
Consulting fees	1 785 421	568 975
Contingencies	-	1 346
Delegates expenses	1 948 488	1 416 229
Donations	100 856	-
Electricity and water	67 299	83 311
Feed	25 500	17 347
Fruitless and Wasteful Expenditure	-	1 200 000
Fuel and oil	452 658	489 618
Public entertainment	729 641	648 679
Mayoral Assistance Fund	-	3 894
Insurance	485 509	380 359
Legal fees	57 673	79 096
Obsolete stock	13 724	-
Photo copies	62 160	29 321

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
Plant hire	25 273	12 526
Postage	51 794	46 781
Printing, stationary & publications	437 979	345 905
Rentals	-	38 846
Resealing	164 517	102 652
Skills development	488 699	347 522
Stores and material	198 401	209 573
Subscriptions	489 841	163 088
Motor vehicle registration fees	14 958	10 443
Service connections	159 674	269 987
Telephones	924 526	760 492
Uniforms	167 134	175 705
Town planning	57 249	67 500
Valuations	-	102 782
Total General Expenses	12 462 557	9 623 600

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

38.1 Material Losses	1 048 912	294 250
Cable damage in Main Street	1 048 912	-
Vehicle Damages	-	49 198
Transformer burnt out	-	245 052

The cable damage was claimed from the insurance but was not paid out by the insurance.

39. OTHER GAINS AND LOSSES

There were no other gains and losses reported.

40. CORRECTION OF ERROR

During the 2008/2009 financial period a number of errors occurred, which are set out below:

40.1 Carry value of Intangible Assets understated

The carry value of the Intangible Assets have been understated due to amortisation allocated to this item. Matatiele Local Municipality opted to make use of the Transitional Provisions as per Directive 4. According to Directive 4 the entity will not calculate and recognise amortisation on it's Intangible Assets for the year ended on 30 June 2009. Contra entries have been allocated to the Accumulated Surplus.

The effect of the Correction of Error is as follows:

	2008/09 Fin Position	Correction of error	Restated Amount
Non-Current Assets:			
Intangible Assets	1 562 447	239 291	1 801 738
Net assets:			
Accumulated surplus			
Balance- 30 June 2008	40 039 657	(9 259 227)	30 780 430
Correction of error- Note 41	-	(4 052 740)	(4 052 740)
Correction of Error due to Depreciation	-	10 222 424	10 222 424
Surplus/ deficit for the year	56 527 225	(18 209)	56 509 016
Inventory write-off	-	(28 879)	(28 879)
Write back of depreciation	(4 239 865)	4 239 865	-
Transfer to HDF	(1 378)	-	(1 378)
Transfer to/from CRR	(15 100 000)	-	(15 100 000)
PPE purchased	15 086 849	-	15 086 849
Grants utilised to obtain PPE	(37 107 524)	-	(37 107 524)
Interest paid	(18 209)	18 209	-
	55 186 755	1 121 443	56 308 198

40.2 Statement of Financial Position out of balance

The total of the Net Assets on the Statement of Financial Position on 30 June 2009 amounted to R209,216,637. The total Assets and Liabilities on the same date was R208,731,672. The difference of R484,965 is due to a correction of depreciation which was incorrectly allocated to the Revaluation Reserve.

The effect of the Correction of Error is as follows:

	2008/09 Fin Position	Correction of error	Restated Amount
Net assets:			
Reserves	20 880 838	(484 965)	20 395 873

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
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40.3 Lease incorrectly classified

Leases on Konica Minolta and Telkom were incorrectly classified as Financial Leases. The leases were reclassified as Operating Leases.

The effect of the Correction of Error is as follows:

	2008/09 Fin Position	Correction of error	Restated Amount
Non-Current Assets:			
Property, Plant and Equipment	170 100	-170 100	-
Current Liability:			
Operating Lease Liability	-170 100	170 100	-
Non-Current Assets:			
Property, Plant and Equipment	-	30 490	30 490
Non-Current Liability:			
Long-term liability	-	-30 490	-30 490

40.4 Balances of PPE and Intangible Assets classified incorrectly

	2008/09 Fin Position	Correction of error	Restated Amount
Infrastructure	95 095 016	5 279 955	100 374 971
Investment Property	18 740	-	18 740
Community Assets	34 599 468	9 604 215	44 203 683
Land & Buildings	15 810 377	15 575 050	31 385 427
Intangible Assets	1 483 925	317 813	1 801 738
Assets Held for Sale			
Other Assets	39 138 038	(27 366 527)	11 771 511
	<u>186 145 564</u>	<u>3 410 506</u>	<u>189 556 070</u>
Classified as Finance Lease should be operating lease, Konica Minolta.		170 100	
Classified as Operating Lease should be finance lease, Telkom.		(30 490)	
Classified as Land & Building should be Non Current Asset held for sale, Bulcamp.		209 886	
		<u>349 496</u>	

Previous years 2008/09 classifications was not in line with GRAP, these classifications have been amended during the 2009/10 financial year, resulting in reclassification of assets in the asset register.

40.5 Non-Current Asset held for sale classified as PPE

An asset, Bull Camp, was classified as PPE during the 2009 financial year. The asset meets the definition of a Non-Current Asset held for sale according to GRAP 100. The asset has been reclassified from PPE to Non-Current Assets Held for Sale.

The effect of the Correction of Error is as follows:

	2008/09 Fin Position	Correction of error	Restated Amount
Current Assets:			
Non-Current Assets Held for Sale	-	209 886	209 886
Non-Current Assets:			
Property, Plant and Equipment	-	-209 886	-209 886

40.6 Provision for Rehabilitation of Landfill site

A provision for the rehabilitation of the landfill site has been raised during the 2009/10 financial year. The comparative figures have been restated to comply with GRAP 3 'Accounting Policies, Changes in Accounting Estimates and Errors' as well as GRAP 19 'Provisions, Contingent Liabilities and Contingent Assets'

The effect of the Correction of Error is as follows:

	2008/09 Fin Position	Correction of error	Restated Amount
Non-Current Assets:			
Property, Plant and Equipment	-	3 760 002	3 760 002
Current Liabilities:			
Provisions	-	-419 555	-419 555
Non-Current Liabilities:			
Non-current provisions	-	-3 350 042	-3 350 042
Net assets:			
Accumulated Surplus	-	9 595	9 595

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
41. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	52 883 126	56 499 422
Adjustment for:		
Correction of prior year Error	-	(7 628 817)
Gains on Disposal of Property, Plant and Equipment	-	32 100
Movement on Landfill site asset	(256 626)	(333 095)
Gains on Disposal of Investment Property	(11 090)	-
Other Movement on Property, Plant and Equipment (transfer from Finance to Operating Lease)	139 610	-
Movement on the Non-current assets held for sale	(142 586)	209 886
Capital Transfer to Acc Surplus	(76 324)	-
Movement on Accumulated Surplus - interest	-	28 879
Contribution to Retirement Benefit Liabilities and Long Service Award	415 645	1 489 227
Contribution to Leave	247 919	514 626
Movement in Landfill site Provisions	264 019	342 690
Stock written off	13 724	-
Movement in Impairment of Debtors Provision	1 449 995	4 702 168
Investment Income	(5 006 326)	(6 488 240)
Finance Costs	71 688	164 984
Operating surplus before working capital changes	49 992 775	49 533 830
(Increase)/Decrease in Inventories	(206 566)	200 840
(Increase)/Decrease in Non-Current Assets Held-for-Sale	142 586	(209 886)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	2 408 715	(13 215 869)
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	2 275 576	1 914 309
Increase/(Decrease) in Consumer Deposits	9 993	(10 771)
Increase/(Decrease) in Creditors	4 333 052	4 905 724
Increase/(Decrease) in Conditional Grants and Receipts	(14 557 398)	(14 656 141)
Cash generated by / (utilised in) Operations	44 398 733	28 462 036
42. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
During the 2009/10 financial year, the municipality acquired R30,490 of equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.		
43. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities	153 908	624 758
Used to finance Property, Plant and Equipment - at cost	(153 908)	(624 758)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities	-	-
Cash invested for Repayment of Long-term Liabilities	-	-
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Loan repayments are financed through the operating account.		
44. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
44.1 Unauthorised Expenditure		
To management's best of knowledge no Unauthorised Expenditure was incurred during the year under		
Reconciliation of Unauthorised Expenditure:		
Opening balance	-	-
Unauthorised Expenditure current year	-	-
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 53)	-	-
Transfer to receivables for recovery (see Note 20)	-	-
Unauthorised Expenditure awaiting authorisation	-	-
44.2 Fruitless and Wasteful Expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure - current year	-	1 200 000
Fruitless and wasteful expenditure - condoned	-	1 200 000
Closing balance	-	-
44.3 Irregular Expenditure		
To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.		

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
45.1 Contributions to organised local government - SALGA		
Opening Balance	-	-
Council Subscriptions	195 555	168 914
Amount Paid - current year	(195 555)	(168 914)
Balance Unpaid (included in Creditors)	-	-
45.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee	2 858 530	1 557 413
Amount Paid - current year	(2 858 530)	(1 557 413)
Balance Unpaid (included in Creditors)	-	-
45.3 VAT		
VAT inputs receivables and VAT outputs receivables are shown in Notes 4 and 15. All VAT returns have been submitted by the due date throughout the year.		
45.4 PAYE and UIF		
Opening Balance	-	-
Current year Payroll Deductions	5 303 313	5 411 334
Amount Paid - current year	(5 303 313)	(5 411 334)
Balance Unpaid (included in Creditors)	-	-
45.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	6 619 742	5 793 659
Amount Paid - current year	(6 619 742)	(5 793 659)
Balance Unpaid (included in Creditors)	-	-
45.6 Councillor's arrear Consumer Accounts		
The following Councillors had arrear accounts outstanding as at 30 June 2010:		
30 June 2010	Total	Outstanding up to 90 days Outstanding more than 90 days
Total Councillor Arrear Consumer Accounts	7 683	2 706 4 977
30 June 2009	Total	Outstanding up to 90 days Outstanding more than 90 days
Total Councillor Arrear Consumer Accounts	9 187	2 322 6 866
The following staff had arrear accounts outstanding as at 30 June 2010:		
Total of staff accounts	4 840	446 4 395
45.7 Non-Compliance with the Municipal Finance Management Act:		
The municipality in the following cases did not comply with the MFMA: None such cases were identified		
45.8 Deviation from, and ratification of minor breaches of, the Procurement Processes		
In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.		
Deviations were noted in terms of section 20(C) and (e) and regulation 7(1), 5 (3), 16 (2) and 17 (d) of the SCM Policy.		
46. COMMITMENTS FOR EXPENDITURE		
46.1 Capital Commitments		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	88 661 617	52 217 949
Infrastructure	81 570 969	45 973 639
Community	4 581 839	420 710
Other	2 508 809	5 823 600
- Approved but Not Yet Contracted for:-	33 268 484	20 000 000
Infrastructure	27 943 255	20 000 000
Community	3 000 000	
Heritage	2 325 229	
Other		
Total Capital Commitments	121 930 101	72 217 949
This expenditure will be financed from:		
External Loans	23 000 000	20 000 000
Capital Replacement Reserve	19 768 484	4 350 078
Government Grants	79 161 617	47 867 871
	121 930 101	72 217 949

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

		2010 R	2009 R
46.2 Lease Commitments			
Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 16 and 17.			
47. FINANCIAL INSTRUMENTS			
47.1 Classification			
FINANCIAL ASSETS:			
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):			
<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Fixed Deposits	Held to maturity	4 610 850	4 014 509
Trade Receivables from Exchange Transactions			
Assessment Rates	Loans and receivables	13 028 815	13 617 955
Electricity	Loans and receivables	1 982 792	2 512 150
Refuse	Loans and receivables	3 011 418	3 195 670
Trade Receivables from Exchange Transactions			
Health Subsidy control	Loans and receivables	714 306	782 884
Sundry Debtors Control	Loans and receivables	44 603	-
Housing debtors	Loans and receivables	33 644	35 467
Insurance debtors	Loans and receivables	-	3 997
Suspense Account	Loans and receivables	-	111 392
Sisonke District Municipality	Loans and receivables	-	524 619
Councillors Salaries Over payment	Loans and receivables	1 249 312	1 249 312
Debtors Interest	Loans and receivables	129 231	141 584
LU Framework DBSA	Loans and receivables	283 871	211 405
DME Electricity	Loans and receivables	995 866	872 302
Debtors Sundry	Loans and receivables	4 856 002	6 404 222
Pre-paid expenses	Loans and receivables	-	105 309
VAT Receivable			
VAT Control Accounts	Loans and receivables	1 873 738	6 019 609
Bank, Cash and Cash Equivalents			
Short-term Portion of Investments	Held to maturity	62 663 091	50 309 760
Bank Balances	Available for sale	1 973 269	142 446
		<u>97 450 806</u>	<u>90 254 593</u>
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Investments	Fixed Deposits	4 610 850	4 014 509
Short-term Investment Deposits	Short-term Portion of Investments	62 663 091	50 309 760
		<u>67 273 941</u>	<u>54 324 269</u>
Loans and Receivables			
Trade Receivables from Exchange Transactions	Assessment Rates	13 028 815	13 617 955
Trade Receivables from Exchange Transactions	Electricity	1 982 792	2 512 150
Trade Receivables from Exchange Transactions	Refuse	3 011 418	3 195 670
Trade Receivables from Non-Exchange Transactions	Health Subsidy control	714 306	782 884
Trade Receivables from Non-Exchange Transactions	Sundry Debtors Control	44 603	-
Trade Receivables from Non-Exchange Transactions	Housing debtors	33 644	35 467
Trade Receivables from Non-Exchange Transactions	Councillors Salaries Over payment	1 249 312	1 249 312
Trade Receivables from Non-Exchange Transactions	Debtors Sundry	4 856 002	6 404 222
Trade Receivables from Non-Exchange Transactions	Insurance debtors	-	3 997
Trade Receivables from Non-Exchange Transactions	Suspense Account	-	111 392
Trade Receivables from Non-Exchange Transactions	Sisonke District Municipality	-	524 619
Trade Receivables from Non-Exchange Transactions	Debtors Interest	129 231	141 584
Trade Receivables from Non-Exchange Transactions	LU Framework DBSA	283 871	211 405
Trade Receivables from Non-Exchange Transactions	DME Electricity	995 866	872 302
Trade Receivables from Non-Exchange Transactions	Pre-paid expenses	-	105 309
VAT Receivable	VAT Control Accounts	1 873 738	6 019 609
		<u>28 203 596</u>	<u>35 787 878</u>
Available for Sale:			
Bank Balances and Cash	Bank Balances	1 973 269	142 446
		<u>1 973 269</u>	<u>142 446</u>
Total Financial Assets		<u>97 450 806</u>	<u>90 254 593</u>

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

		2010 R	2009 R
FINANCIAL LIABILITIES:			
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):			
	<u>Financial Liabilities</u>	<u>Classification</u>	
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	2 959 867	3 164 860
Consumer Deposits			
Electricity	Financial liabilities at amortised cost	309 913	299 919
Creditors			
Trade Creditors	Financial liabilities at amortised cost	7 360 397	3 171 570
Payments received in Advance	Financial liabilities at amortised cost	123 880	565 160
Income received in advance	Financial liabilities at amortised cost	317 043	302 460
Retentions	Financial liabilities at amortised cost	2 047 834	1 896 883
Staff Bonuses	Financial liabilities at amortised cost	1 855 037	1 607 118
Sundry Deposits	Financial liabilities at amortised cost	-	104 701
Other Creditors	Financial liabilities at amortised cost	986 418	469 223
Unspent Conditional Grants and Receipts			
National Government Grants	Financial liabilities at amortised cost	6 274 528	9 662 765
Provincial Government Grants	Financial liabilities at amortised cost	9 940 099	19 337 793
Local Government Grants	Financial liabilities at amortised cost	2 427 952	3 481 839
Other Spheres of Government	Financial liabilities at amortised cost	1 000 162	1 717 741
Provisions	Financial liabilities at amortised cost	6 139 870	5 261 597
VAT Payable			
VAT Control Accounts	Financial liabilities at amortised cost	908 795	895 493
Operating Lease Liabilities			
Operating Lease Liabilities / Payables	Financial liabilities at amortised cost	15 983	21 411
Bank Overdraft			
Bank Overdraft	Financial liabilities at amortised cost	1 409 824	1 356 596
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	135 461	264 973
		<u>44 213 062</u>	<u>53 582 101</u>

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

		2010 R	2009 R
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	2 959 867	3 164 860
Long-term Liabilities	Other Loans	-	-
Consumer Deposits	Electricity and Water	309 913	299 919
Provisions	Provisions	6 139 870	5 261 597
Creditors	Trade Creditors	7 360 397	3 171 570
Creditors	Payments received in Advance	123 880	565 160
Creditors	Retentions	2 047 834	1 896 883
Creditors	Staff Bonuses	1 855 037	1 607 118
Creditors	Sundry Deposits	-	104 701
Creditors	Other Creditors	986 418	469 223
Creditors	Income received in advance	317 043	302 460
Unspent Conditional Grants and Receipts	National Government Grants	6 274 528	9 662 765
Unspent Conditional Grants and Receipts	Provincial Government Grants	9 940 099	19 337 793
Unspent Conditional Grants and Receipts	Local Government Grants	2 427 952	3 481 839
Unspent Conditional Grants and Receipts	Other Spheres of Government	1 000 162	1 717 741
VAT Payable	VAT Control Accounts	908 795	895 493
Operating Lease Liability	Operating Lease Liability	15 983	21 411
Bank Overdraft	Bank Overdraft	1 409 824	1 356 596
Current Portion of Long-term Liabilities	Annuity Loans	135 461	264 973
		<u>44 213 062</u>	<u>53 582 101</u>
Total Financial Liabilities		<u>44 213 062</u>	<u>53 582 101</u>

47.2 Fair Value

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

	30 June 2010		30 June 2009	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Held to maturity:	67 273 941	67 273 941	54 324 269	54 324 269
Fixed Deposits	4 610 850	4 610 850	4 014 509	4 014 509
Short-term Portion of Investments	62 663 091	62 663 091	50 309 760	50 309 760
Loans and Receivables	28 203 596	28 203 596	35 787 878	35 787 878
Trade Receivables from Exchange Transactions	18 023 025	18 023 025	19 325 775	19 325 775
Trade Receivables from Non-Exchange Transactions	8 306 834	8 306 834	10 442 494	10 442 494
VAT Receivable	1 873 738	1 873 738	6 019 609	6 019 609
Available for Sale	1 973 269	1 973 269	142 446	142 446
Bank Balances and Cash	1 973 269	1 973 269	142 446	142 446
Total Financial Assets	<u>97 450 806</u>	<u>97 450 806</u>	<u>90 254 593</u>	<u>90 254 593</u>

	30 June 2010		30 June 2009	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL LIABILITIES				
Designated as FVTPL:	44 213 062	44 213 062	53 582 101	48 320 504
Unsecured Bank Facilities:	4 369 691	4 369 691	4 521 456	4 521 456
- Annuity Loans	2 959 867	2 959 867	3 164 860	3 164 860
- Other Loans	-	-	-	-
- Bank Overdraft	1 409 824	1 409 824	1 356 596	1 356 596
Trade and Other Payables:	39 843 371	39 843 371	49 060 645	43 799 048
- Consumer Deposits	309 913	309 913	299 919	299 919
- Creditors	12 690 609	12 690 609	8 117 115	8 117 115
- Unspent Conditional Grants	19 642 740	19 642 740	34 200 138	34 200 138
- Provisions	6 139 870	6 139 870	5 261 597	5 261 597
- VAT Payable	908 795	908 795	895 493	895 493
- Operating Lease Liabilities	15 983	15 983	21 411	21 411
- Current Portion of Long-term Liabilities	135 461	135 461	264 973	264 973
Total Financial Liabilities	<u>44 213 062</u>	<u>44 213 062</u>	<u>53 582 101</u>	<u>48 320 504</u>
Net Financial Instruments	<u>53 237 743</u>	<u>53 237 743</u>	<u>36 672 492</u>	<u>41 934 089</u>

47.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2009.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 17 and 6, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 23 and the Statement of Changes in Net Assets.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
<u>Gearing Ratio</u>		
	2010 R	2009 R
The gearing ratio at the year-end was as follows:		
Debt	4 505 152	4 786 429
Bank, Cash and Cash Equivalents	1 973 269	142 446
Net Debt	<u>6 478 421</u>	<u>4 928 875</u>
Equity	<u>264 089 453</u>	<u>210 644 509</u>
Net debt to equity ratio	<u>2.45%</u>	<u>2.34%</u>

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 17.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

47.4 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

47.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

47.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 52.6.2 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

47.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

47.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

MATATIELE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

47. FINANCIAL INSTRUMENTS (Continued)

47.7 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2010

Description	Note ref in AFS	Average effective Interest Rate	2 - 5 Years	More than 5 Years
	#	%		R
FIXED RATE INSTRUMENTS				
Held-to-maturity Investments			4 610 850	-
Fixed Deposits	10	9.00%	4 610 850	-
Total Fixed Rate Instruments			4 610 850	-
Total Fixed Rate Instruments			4 610 850	-

MATATIELE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

30 June 2009

Description	Note ref in AFS	Average effective Interest Rate	2 - 5 Years	More than 5 Years
	#	%		R
FIXED RATE INSTRUMENTS				
Held-to-maturity Investments			4 014 509	-
Fixed Deposits	10	4.9% - 5%	4 014 509	-
Total Fixed Rate Instruments			4 014 509	-
Total Fixed Rate Instruments			4 014 509	-

47.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

47.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010	2009
	R	R
47. FINANCIAL INSTRUMENTS (Continued)		
47.10 Credit Risk Management		
<p>Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the municipality uses other publicly available financial information and its own trading records to rate its major customers. The municipality's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.</p> <p>Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.</p> <p>The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.</p> <p>Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.</p> <p>In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.</p> <p>Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.</p> <p>The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.</p> <p>Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:</p>		
	2010	2009
	R	R
<p>The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:</p>		
Fixed Deposit Investments	4 610 850	4 014 509
Transfers from Exchange Transactions	5 567 310	9 426 021
Transfers from Non-Exchange Transactions	7 945 567	10 221 143
Bank, Cash and Cash Equivalents	64 636 360	50 452 206
Maximum Credit and Interest Risk Exposure	82 760 087	74 113 879

VAT receivable has been reclassified in the Trade Receivables from Exchange Transactions in 2010.

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer Debtors

Counterparties with external credit rating:-

None	-	-
	-	-

Counterparties without external credit rating:-

All consumer debtors	3 693 573	3 406 412
	3 693 573	3 406 412

Total Consumer Debtors

3 693 573	3 406 412
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Other Debtors

Investments	4 610 850	4 014 509
-------------	-----------	-----------

Total Other Debtors

4 610 850	4 014 509
------------------	------------------

Bank Balances

Standard Bank Matatiele	1 972 019	89 775
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First National Bank	1 036 864	4 038 945
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Total Bank Balances

3 008 882	4 128 720
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48. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund and the Municipal Gratuity Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R274,100 (2009: R144,524) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

Defined benefit plan accounting as required by IAS 19 / AC 116 have been exempted in terms of General Notice 522 of 2007 and had not been applied for the previous or current financial year.

Municipal Councillors Pension Fund:

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%). During the year under review the Fund Manager was changed due to weak performance by the fund.

No further details could be provided for after the last valuation, being 30 June 2005.

Natal Joint Municipal Pension Fund:

The scheme is subject to a bi-annual actuarial valuation. The last statutory valuation was performed as at 30 September 2007 and has been valued by making use of the Discounted Cash Flow method of valuation.

The statutory valuation performed as at 30 September 2007 revealed that the fund had a surplus of R82,1 (31 December 2005: shortfall of R44,2) million, with a funding level of 123,7% (31 December 2005: unknown). The contribution rates paid by the members and municipality are as follows:

Fund options	Member
Super	9.25%
Retirement A	8.65%
Surcharge	,65
Retirement B	7.00%
Provident	5.00%
Provident	7.00%
Provident	9,25%

The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205 million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 14%
- From 1 July 2007 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

Local Government Pension Fund:

No details could be provided for the fund and of any valuation performed.

A contribution rate is paid by the members (7,50%) and municipalities (18,00%).

Municipal Employees Pension Fund:

No details could be provided for the fund and of any valuation performed.

A contribution rate is paid by the members (7,50%) and municipalities (18,00%).

SALA Pension Fund:

The 1 July 2007 actuarial valuation of the SALA Pension Fund indicated a funding percentage of 110%. The valuator recommended that to retain a sound financial position, the employer continues to contribute at the current rate.

A contribution rate is paid by the members (8,60%) and municipalities (20,78%).

South African Municipal Workers Union National Provident Fund:

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the fund was performed at 30 June 2005, and certified as being in a financially sound position. The next statutory valuation was due on 30 June 2008, but is still in process.

A contribution rate is paid by the members (7,50%) and municipalities (18,00%).

None of the above mentioned plans are State Plans.

49. RELATED PARTY TRANSACTIONS

49.1 Purchases from Related Parties

The municipality bought goods and services from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Date of transaction	Purchases for the Year (2009/10)
Nomzamo we Sizwe (owned by Cindy Nakin - spouse of the Municipal Manager, Damian Nakin)	Cindy Nakin	16 June 2010	11 000
Total Purchases			11 000

The company delivered catering services to the Municipality on 16 June 2010. The company is owned by the spouse of the municipal manager, Damian Nakin. The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

No other related party transactions occurred during the 2009/10 financial year

50. CONTINGENT LIABILITIES

50.1 Former Speaker

Council at its meeting held on 18 December 2008 resolved to remove the Speaker from office and elect a new Speaker. The former Speaker became a part-time Councillor and was remunerated as such and the new Speaker remunerated as a full time Speaker.

The former Speaker is of the opinion that she was removed unprocedurally and has instituted legal action against Council and is claiming the difference between the two salaries amounting to R140 000.

50.2 Forensic Audit

A forensic audit firm was appointed to conduct a forensic audit of 3 contracts awarded where the final product delivered by the contractors allegedly differs substantially from that which the contracts required and where the payments made are significantly higher than the tender amount. This matter has been reported to the SAPS and is currently being investigated.

50.3 Strategic Manager

The strategic manager resigned with effect from 31 March 2009. Subsequent to her resignation, she is claiming that her resignation was not voluntary, but as a result of her job description being amended without proper consultation. She is claiming that she be compensated for the remaining period of her contract amounting to R2 064 600.

51. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

52. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

53. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

54. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2009/2010.

55. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2010.

56. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 40).

57. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP 18 Segment Reporting
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 103 Heritage Assets

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

APPENDIX A
MATATIELE LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 01 July 2009	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2010
	R				R	R	R	R
ANNUITY LOANS								
DBSA	1 200 000	17,55%		12/2010	277 038	-	176 847	100 191
Total Annuity Loans	1 200 000				277 038	-	176 847	100 191
CAPITAL LEASE LIABILITIES								
Imperial (10.5% escalation p.a.)	58 698	11,5%			27 514	-	16 744	10 770
Telkom	39 770	11,5%			38 966		12 457	26 509
Telkom	30 490	10.50%			-	30 490	14 052	16 438
Total Capital Lease Liabilities	98 468				66 480	-	29 201	53 717
OTHER LOANS								
Bankfin/ABSA	1 201 200	10,5%			255 192	-	255 192	-
	1 201 200				255 192	-	255 192	-
TOTAL EXTERNAL LOANS	2 499 668				598 710	-	461 240	153 908

ANNUITY LOANS:**DBSA:**

Structured unsecured 20 year loan for provision of electricity upgrade. Original loan capital of R800,000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 20 year loan for provision of electricity upgrade. Original loan capital of R1,200,000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

LEASES:**Nashua:**

The lease is for the rental of a Nashua photocopier for a period of 5 years. At the expiry of the lease the municipality has the option to continue with the lease for an indefinite period of time.

Minolta:

The lease is for the rental of a Minolta photocopier for a period of 3 years. At the expiry of the lease the municipality has the option to continue with the lease for an indefinite period of time.

Imperial:

The lease is full maintenance lease for a Opel Corsa Utility vehicle for a period of 5 years.

Siemens:

The lease is for the rental of Siemens switchboard for a period of 5 years. At the expiry of the lease the municipality has the option to continue with the lease for an indefinite period of time.

Telkom:

The lease is for a PBX Rental term Service Agreement for a period of 3 years. At the expiry of the lease the municipality has the option to continue with the lease for an indefinite period of time.

Telkom:

The lease is for a PBX Rental term Service Agreement for a period of 3 years. At the expiry of the lease the municipality has the option to continue with the lease for an indefinite period of time.

OTHER LOANS**ABSA/Bankfin:**

The ABSA Instalment sale agreement was for the purchase of pre-paid water and electricity meters and the loan is repayable over a period of 5 years at a original linked rate of 11%.

APPENDIX B
MATATIELE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost / Revaluation					Accumulated Depreciation					Impairment	Carrying Value
	Opening balance	Additions	Other movements	Disposals	Closing balance	Opening balance	Additions		Disposals	Closing balance		
Community Assets												
Care Centres	3 994 059	-		-	3 994 059	-	-		-	-	-	3 994 059
Community Assets	3 109 424	-		-	3 109 424	-	-		-	-	-	3 109 424
Community Centres	16 899 658	8 724 384		-	25 624 042	-	-		-	-	-	25 624 042
Housing	19 811 527	-		-	19 811 527	-	-		-	-	-	19 811 527
Stadiums	389 015	-		-	389 015	-	-		-	-	-	389 015
	44 203 683	8 724 384		-	52 928 067	-	-		-	-	-	52 928 067
Infrastructure												
Bridges , subways	2 334 965	1 000 599		-	3 335 564	-	-		-	-	-	3 335 564
Bus terminals , taxiways	64 160	-		-	64 160	-	-		-	-	-	64 160
Fencing	650 509	3 425 768		-	4 076 277	-	-		-	-	-	4 076 277
Mains electrical	10 134 871	1 195 297		-	11 330 168	-	-		-	-	-	11 330 168
Roads	47 623 476	18 067 523		-	65 690 999	-	-		-	-	-	65 690 999
Runways	19 367	-		-	19 367	-	-		-	-	-	19 367
Solid Waste Sites	6 040 349	-	256 626	-	6 296 975	-	-		-	-	-	6 296 975
Stormwater	25 259 049	-		-	25 259 049	-	-		-	-	-	25 259 049
Street lighting	4 550 924	-		-	4 550 924	-	-		-	-	-	4 550 924
Substations	2 546 301	-		-	2 546 301	-	-		-	-	-	2 546 301
Transformers - electrical	1 151 000	-		-	1 151 000	-	-		-	-	-	1 151 000
	100 374 971	23 689 187		-	124 320 784	-	-		-	-	-	124 320 784
Land & Buildings												
Land & Buildings	31 385 427	-		-	31 385 427	-	-		-	-	-	31 385 427
	31 385 427	-	-	-	31 385 427	-	-	-	-	-	-	31 385 427
Other												
Clinic Equipment	43 913	-		-	43 913	-	-		-	-	-	43 913
Computer Equipment	1 218 558	766 434		-	1 984 992	-	-		-	-	-	1 984 992
Emergency Equipment	170 899	-		-	170 899	-	-		-	-	-	170 899
Furniture and Fittings	1 693 349	668 627		-	2 361 976	-	-		-	-	-	2 361 976
Motor vehicles	5 073 769	507 700		-	5 581 469	-	-		-	-	-	5 581 469
Office Equipment	1 474 934	308 877	(24 847)	-	1 758 964	-	-		-	-	-	1 758 964
Plant & Equipment	1 628 870	101 429		-	1 730 299	-	-		-	-	-	1 730 299
Traffic Equipment	467 219	24 170		-	491 389	-	-		-	-	-	491 389
	11 771 511	2 377 237	(24 847)	-	14 123 901	-	-		-	-	-	14 123 901
	187 735 592	34 790 808	(24 847)	-	222 758 179	-	-	-	-	-	-	222 758 179
	Cost / Revaluation					Accumulated Depreciation					Impairment	Carrying Value
	Opening balance	Additions		Disposals	Closing balance	Opening balance	Additions		Disposals	Closing balance		
Investment Property												
Houses	18 740	-		-	18 740	-	-		-	-	-	18 740
	18 740	-	-	-	18 740	-	-	-	-	-	-	18 740
	Cost / Revaluation					Accumulated Depreciation					Impairment	Carrying Value
	Opening balance	Additions	Transfer	Disposals	Closing balance	Opening balance	Additions	Transfer	Disposals	Closing balance		
Intangible assets												
Computer Software	1 801 738	343 130		-	2 144 868	-	-		-	-	-	2 144 868
	1 801 738	343 130	-	-	2 144 868	-	-		-	-	-	2 144 868
	189 556 070	35 133 938		(24 847)	224 921 787	-	-		-	-	-	224 921 787

APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost / Revaluation				Accumulated Depreciation				Impairment	Carrying Value
	Opening balance	Other Additions movements	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance		
Community Services										
Clinic	3 988 407	46 062	-	4 034 469	-	-	-	-	-	4 034 469
Housing	19 811 527	-	-	19 811 527	-	-	-	-	-	19 811 527
Housing Work in Progress	10 617 154	-	-	10 617 154	-	-	-	-	-	10 617 154
Library	400 680	13 880	-	414 560	-	-	-	-	-	414 560
Museum	38 547	13 033	-	51 580	-	-	-	-	-	51 580
Protection Services	866 560	574 829	-	1 441 389	-	-	-	-	-	1 441 389
Sport & Recreation	453 620	-	-	453 620	-	-	-	-	-	453 620
Swimming Pool	857 395	86 429	-	943 824	-	-	-	-	-	943 824
Community Halls	9 094 278	59 358	-	9 153 636	-	-	-	-	-	9 153 636
Community Halls Work in Progress	8 237 276	8 665 026	-	16 902 302	-	-	-	-	-	16 902 302
Nature Reserve	112 799	3 425 768	-	3 538 567	-	-	-	-	-	3 538 567
Town Estates	76 468	-	-	76 468	-	-	-	-	-	76 468
	54 554 711	12 884 385	-	67 439 096	-	-	-	-	-	67 439 096
Corporate Services										
Corporate Services	1 682 890	552 104	(24 847)	2 210 147	-	-	-	-	-	2 210 147
	1 682 890	552 104	(24 847)	2 210 147	-	-	-	-	-	2 210 147
Economic Development & Planning										
Local Economic Development	968 134	165 962	-	1 134 096	-	-	-	-	-	1 134 096
	968 134	165 962	-	1 134 096	-	-	-	-	-	1 134 096
Executive & Council										
Council	553 397	6 400	-	559 797	-	-	-	-	-	559 797
Municipal Manager	303 702	57 291	-	360 993	-	-	-	-	-	360 993
	857 099	63 691	-	920 790	-	-	-	-	-	920 790
Finance & Administration										
Finance	1 561 790	778 892	-	2 340 682	-	-	-	-	-	2 340 682
Intangible	1 801 738	260 444	-	2 062 182	-	-	-	-	-	2 062 182
Investment Properties	18 740	-	-	18 740	-	-	-	-	-	18 740
Land & Building	31 385 427	-	-	31 385 427	-	-	-	-	-	31 385 427
Plant Hire	5 659 620	-	-	5 659 620	-	-	-	-	-	5 659 620
Stores	140 332	-	-	140 332	-	-	-	-	-	140 332
	40 567 647	1 039 336	-	41 606 983	-	-	-	-	-	41 606 983
Infrastructure										
Electricity	18 414 615	1 195 297	-	19 609 912	-	-	-	-	-	19 609 912
Infrastructure	930 994	83 440	-	1 014 434	-	-	-	-	-	1 014 434
Roads & Stormwater	59 095 955	298 396	-	59 394 351	-	-	-	-	-	59 394 351
Roads Work in Progress	4 067 968	18 769 726	-	22 837 694	-	-	-	-	-	22 837 694
Solid Waste Site	6 148 720	-	256 626	6 405 346	-	-	-	-	-	6 405 346
Technical	1 039 391	81 601	-	1 120 992	-	-	-	-	-	1 120 992
Waste Management	1 227 946	-	-	1 227 946	-	-	-	-	-	1 227 946
	90 925 589	20 428 460	256 626	111 610 675	-	-	-	-	-	111 610 675
Grand Total	189 556 070	35 133 938	256 626	(24 847)	224 921 787	-	-	-	-	224 921 787

APPENDIX D
MATATIELE LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2010

2009 Actual Income	2009 Actual Expenditure	2009 Surplus/ (Deficit)	Description	Vote Number	2010 Actual Income	2010 Budgeted Income	2010 Actual Expenditure	2010 Budgeted Expenditure	2010 Surplus/ (Deficit)
R	R	R			R	R	R	R	R
1 578 264	14 105 705	(12 527 441)	Executive and Council		133 175	2 100 000	15 334 382	19 620 193	(15 201 208)
			Admin Municipal	0110 10	66 297	150 000	1 730 684	3 534 667	(1 664 387)
1 578 264	14 105 705	(12 527 441)	Council General Expenses	0110 05	66 878	1 950 000	13 603 698	16 085 526	(13 536 820)
		-							-
75 157 131	30 531 429	44 625 702	Finance and Administration		81 985 270	93 594 825	27 126 682	44 388 476	54 858 587
73 562 717	23 751 907	49 810 809	Budget & Treasury Office	0120-10	79 674 114	90 321 175	18 539 421	34 309 626	61 134 693
133 919	6 185 062	(6 051 143)	Corporate Services	0125-30	467 025	1 580 000	7 945 910	9 113 659	(7 478 884)
1 460 496	594 459	866 036	Licensing	0130-75	1 844 130	1 693 650	641 351	965 191	1 202 779
		-							-
439 767	1 380 965	(941 199)	Planning and Development		348 071	12 140 000	2 038 319	7 615 769	(1 690 248)
262 339	188 381	73 958	Local Economic Development & tourism	0130-60	-	-	283 963	1 039 618	(283 963)
-	-	-	Planning	0135-10	348 071	12 140 000	1 743 645	6 576 151	(1 395 574)
177 427	1 192 584	(1 015 157)	Community development & planning	0130-65	-	-	10 712	-	(10 712)
1 883 412	1 825 265	58 147	Health		1 974 296	2 309 154	1 853 688	2 309 154	120 607
1 883 412	1 825 265	58 147	Primary health	0130-50	1 974 296	2 309 154	1 853 688	2 309 154	120 607
4 185 077	2 293 285	1 891 792	Community and Social Services		5 507 214	8 778 527	2 565 857	4 839 951	2 941 357
3 471	405 450	(401 979)	Library Services	0130-10	4 214	8 000	378 874	642 186	(374 660)
56 818	52 286	4 532	Cemetery	0130-20	74 353	70 009	58 633	783 950	15 720
-	49 487	(49 487)	Museum	0130-30	-	-	39 649	112 350	(39 649)
3 857 969	605 502	3 252 467	Community halls	0130-40	1 779 313	3 925 586	808 587	1 485 882	970 726
105 189	934 054	(828 865)	Nature reserve	0130-70	3 478 211	4 593 932	960 862	1 342 969	2 517 349
161 630	246 505	(84 876)	Pound	0130-85	171 124	181 000	319 252	472 614	(148 129)
11 819 157	-	11 819 157	Housing		2 777	1 862 834	-	-	2 777
11 819 157	-	11 819 157	Housing	0130-95	2 777	1 862 834	-	-	2 777
291 596	1 829 225	(1 537 628)	Public Safety		131 669	100 000	2 209 571	2 679 580	(2 077 902)
291 596	1 829 225	(1 537 628)	Traffic & police	0130-80	131 669	100 000	2 209 571	2 679 580	(2 077 902)
494 707	168 588	326 119	Sport and Recreation		125 896	431 053	827 600	1 411 934	(701 703)
494 707	168 588	326 119	Sport co-ordinate	0130-90	125 896	431 053	827 600	1 411 934	(701 703)
-	-	-	Environmental Protection		-	-	-	-	-
7 745 037	5 344 006	2 401 031	Waste Management		5 043 973	8 477 617	5 638 991	11 389 111	(595 018)
7 745 037	5 344 006	2 401 031	Solid waste	0140-30	5 043 973	8 477 617	5 638 991	11 389 111	(595 018)
16 342 083	16 729 351	(387 267)	Roads and Transport		25 903 796	31 891 058	16 000 604	19 746 101	9 903 192
16 342 083	16 729 351	(387 267)	Roadwork's	0140-10	25 903 796	31 891 058	16 000 604	19 746 101	9 903 192
-	-	-	Water		-	-	-	-	-
23 704 185	12 933 176	10 771 009	Electricity		23 349 393	23 996 459	18 026 708	18 490 594	5 322 685
23 704 185	12 933 176	10 771 009	Electrical Services	0140-40	23 349 393	23 996 459	18 026 708	18 490 594	5 322 685
-	-	-	Other		-	-	-	-	-
143 640 417	87 140 995	56 499 422	Sub-Total		144 505 530	185 681 527	91 622 404	132 490 863	52 883 126
-	-	-	Less: Inter-departmental Charges		-	-	-	-	-
143 640 417	87 140 995	56 499 422	Total		144 505 530	185 681 527	91 622 404	132 490 863	52 883 126

APPENDIX E(1)
MATATIELE LOCAL MUNICIPALITY

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 June 2010

Description	2009/2010 Actual	2009/2010 Budget	2009/2010 Variance	2009/2010 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	13 203 902	18 771 743	(5 567 841)	(42)	Budgeted for Income Forgone in expenditure net of R5,521,268
Service Charges	24 524 886	22 466 287	2 058 599	8	
Rental of Facilities and Equipment	436 017	390 603	45 414	10	
Interest Earned - External investments	3 342 356	3 200 000	142 356	4	
Interest Earned - Outstanding debtors	1 663 970	1 830 000	(166 030)	(10)	
Fines	962 407	751 250	211 157	22	Staff positions were filled and more traffic fines were issued
Licences and Permits	1 016 846	1 049 400	(32 554)	(3)	
Government Grants and Subsidies	98 207 847	135 805 567	(37 597 720)	(38)	Budgeted to receive R8,500,000 for area M - grant did not materialise. Balance of unspent grants at 30 June 2010
Other Income	1 136 208	1 406 677	(270 469)	(24)	Decrease in nature reserve income and sundry service connections
Profit on Sale of Land	11 090	10 000	1 090	10	
Total Revenue	144 505 530	185 681 527	(41 175 997)	(22)	
EXPENDITURE					
Employee Related Costs	26 950 774	36 275 064	(9 324 290)	(35)	Not all posts were filled during the year
Remuneration of Councillors	11 154 896	11 526 679	(371 783)	(3)	
Collection Costs	-	-	-	-	
Depreciation	-	1 918 543	(1 918 543)	(100)	Use of Transitional Provision of Directive 4
Impairment Losses	2 753 738	4 000 000	(1 246 262)	(45)	Discount scheme was adopted by council and resulted in the improvement of debt
Repairs and Maintenance	8 412 748	10 616 700	(2 203 952)	(26)	Repairs and maintenance to roads and curbing projects - carried over to 2010/11. Budgeted for the repairs and maintenance on the community halls did not materialise
Interest Paid	71 688	1 314 000	(1 242 312)	(1 733)	Budgeted for interest on loans, not received
Bulk Purchases	14 433 061	13 400 000	1 033 061	7	
Contracted Services	7 158 725	8 644 985	(1 486 260)	(21)	Security contract service budgeted for never materialised
Grants and Subsidies Paid	8 224 216	20 105 524	(11 881 308)	(144)	Grants not spent due to time constraints and committed for 2010/11
General Expenses	12 462 557	24 689 368	(12 226 811)	(98)	Income Forgone of R5,521,268 was budgeted for as an expense, but which was netted off against the rates income. Book entries for internal charges of R977,000 was budgeted for as an expense but was netted off against the income. Total savings implemented due to recession period
Total Expenditure	91 622 404	132 490 863	(40 868 459)	(31)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	52 883 126	53 190 664	(307 538)	1	

APPENDIX E(2)

MATATIELE LOCAL MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 June 2010

Description	2009/2010	2009/2010	2009/2010	2009/2010	2009/2010	Explanation of Significant Variances
	Actual	Total Additions	Budget	Variance	Variance	greater than 5% versus Budget
	R	R	R	R	%	
Community Services	54 554 711	1 960 438	7 242 824	(5 282 386)	(72.93)	Budgeted for the development of community facilities - projects carried over to 2010/11
Corporate Services	1 682 890	529 315	1 580 000	(1 050 685)	(66.50)	Budgeted for the upgrade of the achive centre. Project not completed as at 30 June 2010.
Economic Development & Plannin	968 134	3 425 768	12 955 908	(9 530 140)	(73.56)	Budgeted for Housing Development of R8,500,000 - project did not materialise. All of Nature Reserve budget was not spent due to a fence not completed around the reserve
Executive & Council	857 099	66 297	3 350 000	(3 283 703)	(98.02)	Budgeted R3,200,000 for container and a mayoral house - project did not materialise
Finance & Administration	40 567 647	1 685 743	1 985 868	(300 125)	(15.11)	Projects approved late in financial year and was carried over to 2010/11
Infrastructure	90 925 589	27 466 377	37 186 929	(9 720 552)	(26.14)	Budgeted for R2,350,000 for electrification - project did not materialise. R7,500,000 MIG Project carried over to 2010/11
Total	189 556 070	35 133 938	64 301 529	(29 167 591)	(45.36)	

APPENDIX F
MATATIELE LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June 2009	Sept 2009	Dec 2009	March 2010	June 2010	June 2009	Sept 2009	Dec 2009	March 2010	June 2010	June	Sept	Dec	March	June		Yes / No	
MIG Projects	Nat Treasury		17 052 000		640 786	5 000 000	3 875 961	1 110 751	8 114 878	3 614 693	12 328 138	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share	Nat Treasury	42 535 078	21 031 096	18 849 543	14 137 157		42 535 078					N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share FBS Refuse 09/10	Nat Treasury	1 674 078	1 914 075				1 674 078	1 760			201 387	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share FBS Electricity 09/10	Nat Treasury	231 083	616 758				231 083	81 665	85 308	131 802	317 983	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury		750 000		250 000		58 373	8 425	44 587	658 743	394 610	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
National & Provincial Elections	Nat Treasury	1 072 600					638 313					N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Roads Upgrade Elections	Nat Treasury	1 302 583					1 149 446			485 235	165 423	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DME Electrification	DME						2 950 999				1 422	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	Nat Treasury		500 000				519 095	90 750	1 080 396	-458 520		N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Nature Reserve (DEAT)	DEAT	4 500 000					44 092		1 965 266	592 551	867 950	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant: Housing - Cedarville 200 Sites Area	DHLGTA						3 475 244					N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant - Swimming Pool Upgrade	Other Governm						20 983		36 471	22 677	54 451	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant - Free Basic Services	Nat Treasury						54 665			-		N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share FBS Refuse 06/07	Nat Treasury						465 010			-		N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share FBS Electricity 06/07	Nat Treasury						247 271			-		N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share FBS Refuse 07/08	Nat Treasury						196 296			-		N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share FBS Elec 07/08	Nat Treasury						318 057			-		N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant - Capacity Building	Other Governm						-			-	68 950	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant - Community development Workers	Other Governm						1 213			-	2 643	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Umzimvubu Projects	Local Governm						1 972 435	309 447	1 579 282	1 228 841	-1 863 683	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MDF Policies Grant	Prov Treasury						-					N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MDF Asset Register Grant	Prov Treasury						119 351	134 648	742 087	-876 735	78 080	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MDF By-Laws Grant	Prov Treasury						-					N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MDF Performance Management Grant	Province							188 730	135 270	-305 257		N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG New Valuation Roll	Nat Treasury						-					N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG Valuation Roll Update	Nat Treasury						-					N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MDF - ICT Grant	Nat Treasury						7 546			55 341	-380	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Organisational Structure	Prov Treasury						-					N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Establishment Plan	Prov Treasury						2 455 509	723 945	501 322	2 967 759	1 749 415	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
KZN IDP Support	Prov Treasury											N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
KZN MPMS	Prov Treasury											N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
KZN Development & Capacity Building	Prov Treasury									-		N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Conference Centre	Other Governm						-			-	-	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant- IDP Fund	Other Governm						-			-	-	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant - MFMA	Other Governm						-			-	-	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Seeta Subsidy	Other Governm	133 919					133 919			-	-	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Road Subsidy	Province	10 050					10 050			-	-	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Health Subsidy (Clinics)	Province	1 784 599					1 883 411			-	-	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Bus Accident Fund	Public Contr	50 000					50 000			-	-	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Cleanest Town	DEDEA			150 000			-			-	-	N/A	N/A						
Master Lease Programme	Other Governm									687 341	66 659	N/A	N/A						
												N/A	N/A						
Total Grants and Subsidies Received		53 293 990	41 863 929	18 999 543	15 027 943	5 000 000	65 087 478	2 650 121	14 284 867	8 804 471	14 433 048	0	0	0	0	0			
		53 293 990				80 891 415	65 087 478				40 172 507								

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?